Gathering crisis
France looks at pension reform
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FINANCIAL TIMES

Europe's Business Newspaper — WEDNESDAY JULY 27 1994

Boeing profits hit by sharp fall in deliveries

Boeing, Seattle-based aerospace group, suffered a near 50 per cent fall in second-quarter net earnings to $222m, mainly because of a sharp downturn in aircraft deliveries. Boeing's chairman and chief executive, Frank Shrontz, confirmed forecasts of 260 deliveries for the full year, with production showing a 20 per cent decline in the second half from the first. Page 13

Loans for Tanzania attacked: World Bank loans exceeding $1bn to Tanzania in the 1960s and 1970s helped sustain a "poorly thought-out Socialist experiment", according to a confidential internal report drawn up by the agency. Page 12

Deutsche Bank managed a 1 per cent rise in first-half operating profit to DM2.66bn ($1.69bn), despite a sharp fall in earnings from own account trading. Page 13; Lex, Page 12

Russian companies to own their land: Russian companies have finally been given the right to own the land on which they stand, in spite of many concessions to conservatives in a new privatisation decree. Page 12

Two-race suspension for Schumacher

Formula One championship leader and 1993 champion Michael Schumacher (left) was suspended for two races and docked six points for infractions during the British Grand Prix earlier this month. Schumacher was punished for overtaking eventual winner Damon Hill of Britain during the warm-up lap and later ignoring a "black flag" warning to come into the pits. Clerk of the course Pierre Aumonier was suspended for a year.

Sweden-Denmark link: Tenders will go out in September for the first fixed link between Sweden and Denmark following Sweden's go-ahead for one of Europe's biggest infrastructure projects. Page 4

Adams ban to go to European Court: Two High Court judges referred the UK government ban on Gerry Adams, president of Sinn Féin, the political wing of the IRA, visiting mainland Britain to the European Court of Justice. Page 6

Gencor, the South African mining house, is to pay $1.14bn for most of the metals and minerals operations of the Royal Dutch/Shell group, which trade under the Billiton banner. Page 13; Lex, Page 12

Japanese caution: The recovery of the Japanese economy is continuing, but could be knocked off course, says a report by the government's Economic Planning Agency. Page 3

Digital Equipment reported fourth-quarter losses of $1.75bn and a heavy loss for the fourth consecutive year. Page 13

Steady UK recovery: Further evidence that UK manufacturers are seeing steady economic recovery emerged after a business survey reported the fastest rise in manufacturing order books for almost six years. Page 6

UN staff pulled out: The United Nations operation in Somalia evacuated its civilian expatriate staff from the central Somali town of Belet Huen after gunmen looted its compound.

Mexican candidate hurt: Mexico's main leftist opposition party, the Party of Democratic Revolution (PRD), has demanded an investigation into a road accident that left Amando Avendaño, candidate for governor in the southern state of Chiapas, seriously injured, and three colleagues dead. Page 4

US consumer confidence edged lower this month but remains close to a four-year high, the New York Conference Board, a business information group, said. Page 4

Daimler-Benz plans to invest DM250m (£102.5m) in commercial projects in Vietnam over the next five years. Page 4

Kazakh blast kills five: A natural gas explosion in a five-storey apartment block in the town of Leninisk near the Kazakhstan cosmodrome at Baikonur killed five people, seriously injured another four and buried a further 27 beneath rubble.

Chittagong clashes: Four people were killed and nearly 150 injured in Chittagong, Bangladesh, in clashes between supporters of the United Students Forum, which opposed plans by the militant Jamaat-e-Islami party to hold a rally in the port city.

STOCK MARKET INDICES

FT-SE 100:	3117.2	(+11.1)
Yield	4.00	
FT-SE Eurotrack 100	1391.70	(+6.77)
FT-SE-A All-Share	1557.85	(+0.4%)
Nikkei	20,345.37	(+47.71)
New York: lunchtime		
Dow Jones Ind Ave	3736.66	(-5.18)
S&P Composite	453.49	(-0.76)

US LUNCHTIME RATES

Federal Funds:	4 3/16%
3-mo Treas Bills: Yld	4.511%
Long Bond	85 11/32
Yield	7.552%

LONDON MONEY

3-mo Interbank	5 1/4%	(5 7/32%)
Liffe long gilt future:	Sep 102 12/32	(Sep 102 7/32)

NORTH SEA OIL (Argus)

Brent 15-day (Sept)	$17.585	(17.675)

Gold

New York Comex (Aug)	$387.1	(384.9)
London	$386.3	(385.2)

STERLING

New York lunchtime:		
$	1.52425	
London:		
$	1.5259	(1.5342)
DM	2.4208	(2.4315)
FFr	8.2636	(8.3107)
SFr	2.0561	(2.0611)
Y	149.533	(151.497)
£ Index	78.6	(79.1)

DOLLAR

New York lunchtime:		
DM	1.58785	
FFr	5.42	
SFr	1.3495	
Y	98.16	
London:		
DM	1.5865	(1.5849)
FFr	5.4158	(5.4171)
SFr	1.3475	(1.3435)
Y	98	(98.75)
$ Index	63.2	(63.3)

Tokyo close Y 98.70

Austria	Sch32	Greece	Dr350	Lux	LFr65	Qatar	QR13.00		
Bahrain	Din1.250	Hong Kong	HK$18	Malta	Lm0.60	S.Arabia	SR11		
Belgium	BFr65	Hungary	Ft185	Morocco	MDh15	Singapore	S$4.30		
Bulgaria	Lev25.00	Iceland	IKr215	Neth	Fl 4.00	Slovak Rp	KSL50		
Cyprus	C£1.10	India	Rs60	Nigeria	Naira50	South Africa	R12.00		
Czech Rp	CZK50	Israel	Shk8.90	Norway	NKr17.00	Spain	Pta225		
Denmark	DKr16	Italy	L3000	Oman	OR1.50	Sweden	SKr16		
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Switz	SFr3.30		
Finland	FM14	Jordan	JD1.50	Philippines	Peso50	Syria	S£50.00		
France	FFr9.50	Kuwait	Fils.625	Poland	Zl 32,000	Tunisia	Din1.500		
Germany	DM3.50	Lebanon	US$1.50	Portugal	Esc225	Turkey	L30000	UAE	Dh12.00

Rabin warns of wave of terrorism after bomb blast

13 people injured in attack on Israel's London embassy

By Jimmy Burns and Stewart Dalby in London, and Julian Ozanne in Washington

Israel's prime minister Mr Yitzhak Rabin warned yesterday the world was facing a new wave of radical Islamic terrorism after a powerful bomb blasted the country's embassy in London, a day after Israel signed a historic co-operstion agreement with Jordan.

The car bomb attack injured 13 people, extensively damaged the embassy in West London and rocked nearby buildings in the capital's "embassy row", including Kensington Palace, where four members of the British Royal family were unharmed.

Yesterday's blast followed a car bomb attack on a Jewish centre in Buenos Aires on July 18 which killed at least 96 peopla, and prompted Mr Rabin to suggest that European and American countries were at risk from "a wave" of attacks by extremists.

"They continue a struggle of terror to kill Israelis, to fight against moderate Arab regimes and to do everything to undermine any possibility ... to bring about a comprehensive peace between Israel and its neighbouring Arab countries and the Palestinians," he said.

The blast at around 12.10pm (local time) occurred without warning, although one embassy official said a vehicle driven by a woman had been diverted by security staff from the main entrance minutes before the explosion outside the embassy.

Moslem radicals try to shatter peace process ....Page 3

Commander David Tucker, head of Scotland Yard's anti-terrorist squad in London, said last night the police were seeking a woman of 55 to 60 years, believed to have been driving the car, which was thought to contain 20 to 30 pounds of commercial explosives.

Asked whether there was a connection with the bomb in Buenos Aires, Commander Tucker said: "This was a much smaller bomb and the connection is obviously that the target is the Israelis."

Ms Rachel Gordan, a member of the embassy press office said: "It was a huge, huge explosion. Parts of the building just collapsed." Another witness, builder Mr Michael Hassit who was working nearby, said he saw a "big plume of smoke and debris going up to 200 feet up in the air".

Acording to Israeli officials, the London embassy together with other Jewish buildings around the world, have been on heightened security alert since the Buenos Aires attack. However, the attackers clearly managed to exploit vulnerable security points around the embassy building in an operation which some security experts believe would have taken several weeks to plan.

Mr Douglas Hogg, foreign office minister, described the latest attack as a "shocking offence" and promised that security in the UK would be stepped up. He added, however, that there could not be full security guarantees in an "open city like London".

Mr Rabin spoke shortly before be addressed a joint session of the US Congress with King Hussein of Jordan. The king told congress he had come to Washington to "secure a peace for all the children of Abraham". He also called for international aid to make the peace struck between leaders "real to the men, women and children of the Middle East".

However, Mr Rabin said that unless the world woke up to a new threat Israel, moderate Arab regimes and even European, American and Latin American countries would be at risk from Iranian-backed terrorism that he dubbed "Khomeinism without Khomeini", referring to the former Iranian leader.

Jordanian officials also said yesterday the Clinton administration was supporting changes to allow Jordan to receive excess American military equipment.

Congress hearings open into Whitewater affair

White House counsel Lloyd Cutler (above) swears in before the House banking committee which is holding hearings on the Whitewater affair. Mr Cutler said President Bill Clinton's close aides had breached no ethical standards in discussions with government regulatory officials in connection with the savings and loan institution at the heart of Whitewater. Report, Page 12

Picture: Reuter

Rwandan leader says UN role may ease crisis

By Leslie Crawford in Kigali

Gen Paul Kagame, the commander of the rebel Rwandan Patriotic Front, which took control of the country last week, said yesterday he would accept the presence of UN human rights monitors to guarantee the safety of returning refugees.

The strongman of the new government, who has taken the posts of vice-president and defence minister, said he wanted to persuade the millions of Hutus who fled in fear of his Tutsi-led guerrillas to come home.

"They have to give Kagame a chance to prove he is not what he has been portrayed to be," he said.

The propaganda of the ousted Hutu government, which Gen Kagame fought for 3½ years, depicted him as an ogre. Yesterday, in his well-cut civilian suit and gold-rimmed glasses, Gen Kagame looked more like a university professor than a professional soldier. He appears much older than his 37 years, having spent more than a third of his life as a guerrilla in the African bush.

Perhaps because of a life spent in exile, Gen Kagame insists Rwanda needs a new political ideology that might break the cycle of ethnic hatred which has plagued his small nation for decades.

"Not all Hutus took part in the genocide of the Tutsi community," he said. "Not all Tutsis were feudal overlords in the past. We need to create a country that belongs to all Rwandans. We need to educate people on how to live together again."

He defended the dominance of the RPF in the new government, which includes four other political parties and Hutus in prominent posts.

"The RPF will have a strong voice in the new government if necessary," said Gen Kagame, who prefers to speak English, instead of French, Rwanda's official language. "This country needs to move. Someone must give it direction and a programme."

Continued on Page 12
High price of dallying, Page 10

Banks warned on linking bonuses to profit

By John Gapper, Banking Editor, in London

The world's banks have been warned not to tie the bonuses paid to financial derivatives dealers too closely to the profits of the products they sell, as this could create excessive risks.

The Basle Committee of international supervisors gave the warning in its guidelines for bank supervisors, published yesterday, on how banks should manage derivatives such as swaps and options.

Similar guidelines were issued yesterday to regulators of securities firms by the International Organisation of Securities Commissions (Iosco).

The guidelines come amid debate over the derivative trading activities of banks and securities firms and follow proposals from the Basle Committee earlier this month that banks should have to hold more capital to cover derivative risks.

The Basle committee suggests that banks could be at risk if their dealers – some of whom attract multimillion dollar bonuses – are paid on the profitability of the trades without the risks being considered.

Their guidelines place strong emphasis on senior directors of banks being told in plain language about the risks they may be running. They say that the risks should be translated into simple terms in internal reports.

Supervisors in individual Group of Ten countries covered by the Basle committee are also told to ensure that banks do not allow their traders to start selling new derivatives products before managers understand them.

Mr Tommasso Padoa-Schioppa, the Basle committee chairman, said that the guidelines would be used to help banks improve risk management systems. "Our philosophy is that this is the responsibility of banks, not supervisors," he said.

Mr Padoa-Schioppa said that there was a danger that the pace of innovation was so fast that managers could not keep up. "Managers must be absolutely sure they know as much as traders about the risks to the company," he said.

He said banks and securities regulators had worked jointly on guidelines despite the fact that they issued separate documents. There has been a history of division between the two industries' supervisors.

There was a significant split between the Basle Committee and Iosco last year, when efforts to devise joint rules on capital charges for trading activities broke down.

The Iosco guidelines warn that the potential profits from derivatives may lead firms to "ignore or underestimate" risks.

The Basle guidelines warn banks about the "liquidity risks" of being unable to unwind lossmaking positions in volatile markets. They also warn that banks should monitor the credit quality of companies with which they deal carefully.

Good risk guides, Page 18

Brussels ready to approve subsidy for Greek airline

By Kerin Hope in Athens and Emma Tucker in Brussels

Greece is expected to win European Commission approval today to grant Olympic Airways, the lossmaking state carrier, a capital injection of Dr54bn ($228m) over three years, in return for eliminating some long-haul routes and opening up Aegean island routes to competition.

The Commission is also expected to approve a controversial FFr20bn ($3.7bn) state subsidy to Air France, the French government-owned airline. Today's anticipated decisions have angered Europe's non-subsidised airlines in what is being seen as a test case in EU efforts to liberalise the air transport market.

The Olympic Airways rescue plan is aimed at making the Greek carrier profitable by 1997. As well as the capital injection, it would allow Olympic to write off Dr491bn of accumulated debt.

Airline officials said Olympic had agreed to waive its option on extending its monopoly on domestic routes for five years after 1998, and would shut lossmaking routes to Tokyo and Chicago by the end of this year.

In return, the Commission has dropped a demand that Olympic immediately open up ground handling operations at Greek airports to other carriers. Airline officials say that retaining a monopoly on ground handling, which brings in more than Dr35bn a year, equivalent to 15 per cent of operating income, is crucial to returning the carrier to profit.

However, the Commission has already said that it plans to use special powers to break up ground handling monopolies at larger European airports, a move that would affect Athens airport.

The Greek government has also agreed to stop interfering in Olympic's day-to-day operations and to accept close monitoring of restructuring by an outside auditor, airline officials said. This will mean, among other things, that cabinet ministers, civil servants and Greek Orthodox clergymen will no longer be allowed special discounts on tickets.

Under the rescue plan, the airline's management is to be overhauled with the help of outside consultants. Five out of 36 aircraft in its fleet will be sold or returned to lessors, with no replacements before 1997.

The plan also calls for a two-year wage freeze and mandatory retirement of 1,950 employeea over the next three years.

The rescue plan forecasts that Olympic's Dr135bn loss in 1993 would be transformed into a Dr14bn profit next year, rising to Dr30bn in 1997.

Olympic Airways and Air France are the last of three airline aid cases to come before the Commission this year. Earlier this month, it allowed Portugal to prop up the state-owned TAP-Air Portugal in return for a commitment to restructure.

CONTENTS

Access is dividing regions – and the troubled Socialists – writes **Tom Burns**

Water gets political in a very dry Spain

Water will begin trickling today via a network of canals and aqueducts, from the nearly empty reservoirs fed by the Tajo river in central Spain to the almost dry ones served by the Segura river more than 300kms south east.

After one of the longest low rainfall decades on record, the transfer of water from the baked steppes of the Spanish plain to the parched orchards on the Mediterranean has sparked a bitter debate, nowhere more so than inside the ruling Socialist party, which controls the two regions fighting for the water.

The row centres on the irrigation potential, or lack of it, of the Tajo-Segura *trasvase* a series of canals and tunnels that links the 1,082km-long Tajo, which enters the Atlantic, as the Tagus, at Lisbon, with the 325km-long Segura, which flows into the Mediterranean south of Alicante.

The issue is how water should be managed in a mainly dry country. As consumption has risen with expanding urban populations and enlarged agricultural areas under irrigation, water has become increasingly scarce – and political.

People in the Segura basin, one of Spain's richest fruit growing regions, are so low on water they have warned they might have to uproot their parched trees. The only way to get water to them is from the Tajo, where people say they do not have enough to drink.

Mr José Borrell, the public works minister who at the weekend ordered the sluice gates on the Tajo's Buendía-Entrepeñas reservoir open to start filling the canal network, says he had to make the sort of decision that would have "baffled King Solomon".

In the event he persuaded the government to agree to the transfer of 55,000 cu m of water from Buendía-Entrepeñas draining this once huge inland sea among the valleys of the Montes Universales sierra near Madrid, from an already critical 14 per cent capacity to just 7 per cent. The fruit farmers to the south had wanted an emergency supply of at least 60,000 cu m to save their cash crops.

The issue is how water should be managed in a dry country

The released water flow, which has taken more than three days to reach the Segura reservoirs, will only be available for irrigating the main orchards in the Alicante region on August 6. Some 7,000 cu m of the Tajo's inflow will have been lost by that time through evaporation and, when at last it reaches the table grape producing vines and the almond, orange, lemon and pommegranate trees in the area, will provide only about two weeks' worth of irrigation.

This limited water injection will save some of the crops, spread over 50,000ha, that over the years had built up strong export markets in the EU. About half the area has received no irrigation at all this year, some 12m-15m trees will bear no fruit and losses are estimated to be Pta25bn (£125m).

None of that moved Mr José Bono, premier of the Castille-La Mancha region which includes the Tajo and the depleted Buendia reservior.

"Not a drop must leave the Tajo," he insisted and, as one of the closest of prime minister Felipe González's Socialist party allies, managed to delay the opening of the Buendia sluice gates for weeks.

Mr Bono claims there are some 100 villages in the vicinity of the reservoir suffering water shortages and that more than 70,000ha theoretically earmarked for irrigation by the Tajo in Castilla-La Mancha have never produced a crop because the Buendía-Entrepeñas has never held enough to permit the area's cultivation.

But the pressure from Mr Joan Lerma, premier of the Valencia region, which includes the Alicante orchards, proved more powerful and bent the government's ear. He says whatever Castille-La Mancha might produce by way of future crops, the existing cultivation in his region is threatened and that billions of pesetas and thousands of jobs are et stake.

The two regional socialist leaders have openly attacked each other in the media and their outbursts have succeeded in further embarrassing a government already at pains to soothe over differences between the party's left wing and its moderates. Last week Mr Lerma encouraged Alicante fruit farmers to demonstrate in Madrid and this week Mr Bono is expected to support a similar march on the capital by thirsty villagers from the Tajo's river banks.

The row has at least had the virtue of focusing minds on a National Hydrology Plan, dealing with water resource management and with a provisional budget – spread over 20 years, of Pta3,500bn – that is now in its final blueprint stage before Mr Borrell presents it to parliament later this year.

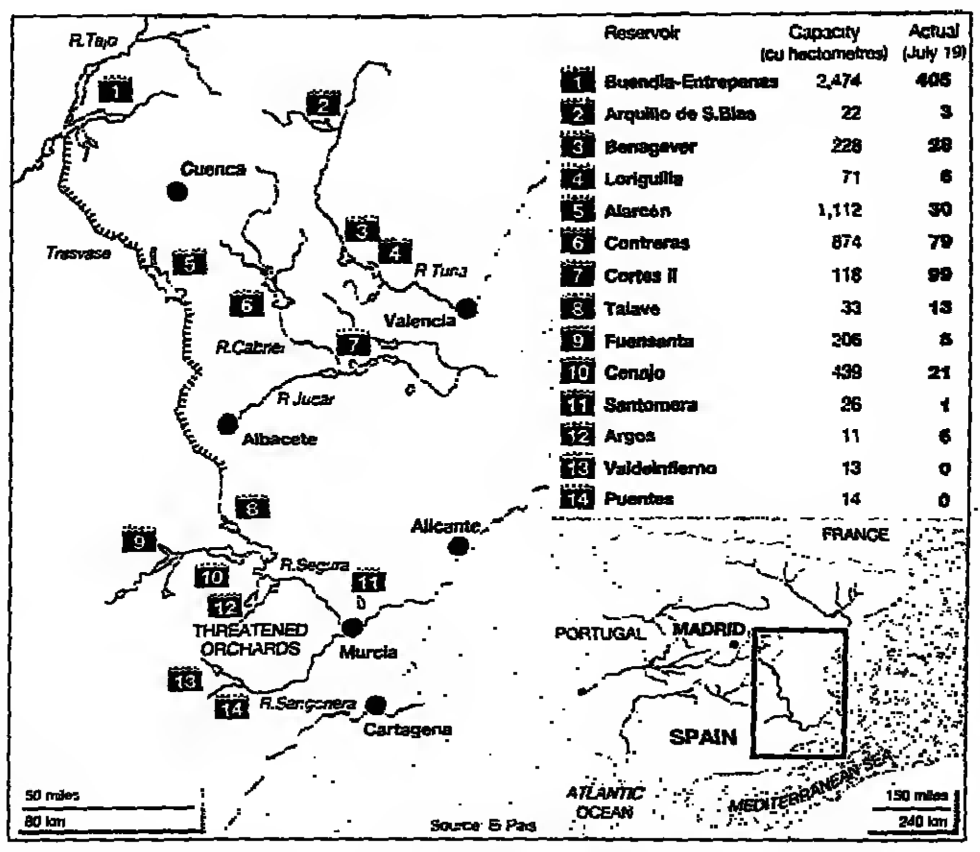
The plan includes the construction of as many as 200 dams which will serve to bring water south from Spain's northern wetlands, and chiefly from the Douro and Ebro river basins, to the Tajo's reservoirs and on to areas such as Alicante's orchards.

According to Mr Juan Manuel Ruiz García, a member of the National Water Council which has been consulted over the plan, the projected north-south transfer of irrigation resources could repeat the mistakes made with the Tajo-Segura trasvase.

Planned during the 1930s and built during the Franco years, the trasvase, with its accompanying dams and reservoirs, was intended to provide self-sufficiency in food, water supplies for the rapidly growing big cities and the build-up of hydro-electric power.

But the huge irrigation projects it prompted now produce surplus EU crops, the cities have stopped growing and cheaper power is available through natural gas.

Worst of all, the all-important Buendía-Entrepeñas reservoir never filled up; with a capacity for 2.4bn cu m it held just 405m cu m earlier this year and the trasvase, which was projected to carry 600m cu m annually, has never carried more than half that.



	Reservoir	Capacity (cu hectometres)	Actual (July 19)
1	Buendia-Entrepenas	2,474	405
2	Arquillo de S.Blas	22	3
3	Benagever	228	28
4	Loriguilla	71	6
5	Alarcón	1,112	30
6	Contreras	874	79
7	Cortes II	118	99
8	Talave	33	13
9	Fuensanta	206	8
10	Cenajo	439	21
11	Santomera	26	1
12	Argos	11	6
13	Valdeinfierno	13	0
14	Puentes	14	0

Russia agrees troops pullout from Estonia

By John Lloyd in Moscow

The presidents of Russia and Estonia yesterday signed an agreement under which the remaining 2,000 Russian troops in Estonia will leave by August 31 – marking the last and hardest won of such agreements between Russia and the three former Soviet republics in the Baltics.

If adhered to, it will mean that by the end of the summer all Russian divisions will have been pulled back from the three countries which they have occupied, in Soviet or Russian form, for 50 years. They have already left Lithuania and are leaving Latvia – though the Baltfax news agency reported yesterday that Mr Sergey Zotov, the Russian negotiator, had expressed "serious concern" that the Latvian parliament had not ratified the pullout agreement.

The negotiation process – especially in the case of Estonia, the smallest of the three republics – has been protracted, bad-tempered and mutually recriminatory, with the main western states all putting pressure on Russia to observe the August 31 date. Moscow had put this in doubt because of fears that the rights of the Russian speakers in the Baltic states were being violated.

A brief statement to the official news agency Tass said that "the presidents of Russia and Estonia signed an agreement today that the rights of the Russian military pensioners would be respected equally to the rights of Estonian citizens. They also signed an agreement in accordance with which Russian troops are withdrawn from Estonia before August 31". Russia's president Boris Yeltsin, emerging after six hours of talks with his counterpart, President Lennart Meri –with whom he has never found any rapport – commented that the negotiations were "pretty hard".

The formula appears to mean that the Estonian side will pay pensions and offer the rights of citizenship to those among 10,000 Russian officers who have reached retirement age – but not to those among them in their thirties and forties whom the Estonians believe are present or former secret policemen who have been actively engaged in espionage and other anti-state activities.

The agreement puts to one side two other Estonian demands – for a return of two slices of Russian territory which had been part of the pre-war Estonian Republic, and for a statement of regret on the Russian side for the Soviet occupation of Estonia and the repression of the population after the war. Neither of these – especially, as Estonian officials admit privately, the first – are likely to be conceded and may be shelved quietly if relations settle down.

Some 500,000 Russian speakers still live in Estonia: 40,000 have applied to leave, 60,000 have applied for Estonian citizenship and the majority are undecided. Estonia's economy is in by far the healthiest shape of any of the 15 former Soviet states and this is likely to persuade many of the Russian speakers to learn enough Estonian to pass the language test necessary to apply to transfer their allegiance from Russia to Estonia.

Germany tries to force the pace over VAT

More than any other group of industrialists in the European Union, the German business community dislikes intensely the current arrangements for collecting value added tax across the single market.

The system, introduced a year and a half ago when frontier controls between the 12 member states were dropped, requires companies to do the paperwork once carried out by customs, filing trade returns to domestic tax authorities so that they can keep track of VAT payments. As far as Germany is concerned, it is a burden on industry that should be changed at the earliest possible opportunity.

For this reason, Germany has thrust VAT arrangements to the forefront of its presidency in an effort to ensure that the EU remains on schedule for a switch to the so-called "definitive regime" of VAT on January 1, 1997. Under this system VAT will be levied at the rate applicable in the country from which the goods originate rather than at the rate applicable in the country where they are sold.

The big advantage for business is that traders will no longer need to differentiate between domestic and intra-Union sales.

Germany's eagerness has to be reckoned with. But when economics and finance ministers meet in Brussels today for a meeting devoted entirely to tax, Mr Theo Waigel, German finance minister, is unlikely to find his enthusiasm matched by his counterparts.

Brussels has yet to produce its proposals on introducing the definitive regime. German nagging has persuaded it to bring forward the publication date to October, but meanwhile, the once reviled transitional arrangements are settling down. There is also a growing feeling among business leaders and tax officials that it would be unwise to impose an entirely new system before the faults of the earlier one have been properly identified.

As Unice, the European confederation of industry put it: "Due caution should be exercised before moving to another system as the wrong choice would involve European business in a substantial opportunity cost."

Bonn has bit between its teeth, writes **Emma Tucker**

Mrs Christiane Scrivener, commissioner in charge of indirect taxation, fears that by pressing ministers to discuss the subject before any definite proposals are on the table, the Germans might create confrontation and problems.

She favours a more consultative approach – putting all the pieces of the puzzle on the table, as she puts it, before sitting down to put it together.

Formulating proposals acceptable to all member states will be difficult. The country of origin system throws up two conundrums. First, such a regime needs to be accompanied by a clearing house system to redistribute revenue around the Union. Without one, countries exporting a lot of goods would benefit enormously, while high-import nations would lose. The clearing house system is thus viewed with considarable mistrust by states which fear they would not be justly recompensed.

Second, the origin-based system requires a far greater degree of harmonisation of VAT rates. But countries like Britain do not want to sacrifice zero-rating on categories such as children's clothes and oppose uniform rates strongly. Market forces might be allowed to play their part in harmonising rates, but some of the poorer countries argue that this would be unfair until there is a greater degree of economic convergence.

Not content with keeping this complex and unpopular subject in the limelight, the Germans today will also be raising the subject of a uniform withholding tax. They want e common, European tax on savings, putting an end to the huge flight of D-Marks from Germany, where there is a high tax on savings, to Luxembourg, where there is none. Luxembourg and Britain vehemently oppose such a move, arguing that it would lead to damaging capital outflows from the EU to other tax havens such as Switzerland.

Mrs Scrivener is diplomatic: "Germany is hoping to advance thought on the matter," she says. "They want us to talk about it because they think perhaps this could lead to new ideas."

Perhaps the only area where the Germans can hope to make progress is on energy taxes. It is suggesting that a straightforward energy tax should ba abandoned in favour of increased excise duties on mineral oils.

Some member states have already indicated that this approach is more likely to lead to a consensus on how best to meet commitments to stabilise carbon dioxide emissions by the end of the century. Quite how many countries are in favour will emerge at today's meeting. Here at least, the Germans, working in tandem with the French (who occupy the presidency of the Union after the Germans) might see some advance.

Brother of Berlusconi accused of corruption

By Robert Graham in Rome

Mr Paolo Berlusconi, the younger brother of the Italian prime minister, provided money to pay bribes to the Guardia di Finanza, the financial police, on behalf of Fininvest, the Berlusconi family's media empire, according to lawyers acting for a senior Fininvest executive.

This new twist to the problems of Fininvest and its proprietor, Mr Silvio Berlusconi, came after Mr Salvatore Sciascia, head of the group's tax department, had been interrogated by Milan magistrates on charges of corruption.

In comments reported yesterday by Ansa, the national news agency, Mr Guido Viola, Mr Sciascia's lawyer, said bribes paid by his client to the Guardia di Finanza had been provided and approved by Mr Paolo Berlusconi.

Mr Sciascia was one of two people handling Fininvest's tax affairs who were issued with arrest warrants last Saturday. On Monday Mr Sciascia admitted paying a total of L330m (£137,000) to members of the financial police to cover inspections of three Fininvest subsidiaries between 1989 and 1992. It was not clear whether the money paid out had been accounted for in Fininvest's balance sheets.

Mr Paolo Berlusconi, whose lawyers last night made e surprise visit to the Milan magistrates, was a board member of Fininvest, while his brother Silvio, the founder of the group, was chairman – a post he surrendered when he entered politics in January.

Yesterday, police searched Mr Sciascia's offices and also issued an arrest warrant for a third member of Fininvest's tax department. So far only Mr Sciascia has handed himself in.

Among the aspects of Fininvest Milan magistrates are now reportedly investigating is the ownership structure of Telepui, the pay-TV channel. Mr Berlusconi was only permitted a minority stake in Telepui because of anti-trust laws.

The damage to the government's credibility by the investigations into Fininvest caused shares on the Milan bourse to fall by almost 3 per cent yesterdey and the lira remained weak.

The prime minister himself yesterday struggled to recoup some of his lost authority with a defiant speech to a congress of the Christian Democratic Centre, minor partners in his right-wing coalition. He criticised the judiciary for exceeding their powers and, in a clear reference to the Milan magistrates, challenged those who sought to take political positions to seek a popular mandate at the polls.

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IMF acts fast to woo Kuchma

By Jill Barshay in Kiev and Chrystia Freeland in London

The encounter between Mr Michel Camdessus, managing director of the International Monetary Fund, and Mr Leonid Kuchma, the new Ukrainian president, in Kiev today will be remarkable in two respects.

The visit, two weeks after Mr Kuchma's election victory, suggests the IMF – belying its careful image – is prepared to move quickly where Ukraine is concerned.

Mr Kuchma's decision to make an IMF meeting one of his first acts in office is also e signal that Ukraine, which over the past three years has gained a reputation as one of the most economically backward republics, may have begun to appreciate the importance of economic reforms and links with western financial institutions.

IMF representatives caution that no agreements are scheduled to be signed but senior Ukrainian officials hope it could be a turning point.

If Kiev undertakes three fundamental reforms – liberalisation of its exchange rate, an austere budget and continued monetary discipline – IMF officials say that within the next few months Kiev could receive a $700m (£452m) systemic transformation loan. That agreement could pave the way for Ukraine to receive the $4bn in financial assistance offered at the Group of Seven meeting in Naples.

"The opportunity to reach an agreement with the IMF is greater now than ever before in Ukrainian history," said Mr Volodymyr Kuznetsov, one of the president's senior economic advisers.

"We have a consensus on the necessity to conduct market reforms. Our new president has the political will which [ex-president Leonid] Kravchuk lacked. The only question is speed."

Mr Oleh Havrylyshyn, the Ukrainian associate director at the IMF who was an outspoken critic of the economic policies of the Kravchuk government, says "the IMF has been discussed more often in Ukrainian government circles over the past two weeks than it had been over the past two years." "There's a sense throughout the country that there is a new opportunity for reform," he said.

"Ukraine now has the chance Poland, the Czech Republic and Hungary seized three years ago although, because of the economic deterioration over the past three years, Ukraine now faces a much more difficult task."

However, Mr Viktor Pynzenyk, a former cabinet minister and one of Ukraine's most zealous advocates of market reforms, warns that Mr Kuchma's economic programme will be largely shaped by appointees to his administration. He said Mr Kuchma could also face fierce opposition from the conservative parliament.

"From the standpoint of the fund, Ukraine is a priority," an IMF official said. "There is no delay and we are interested." Western diplomats in Kiev said the IMF has been under political pressure to reach an egreement with Ukraine, whose stability is seen as a keystone to recovery in the region.

EUROPEAN NEWS DIGEST

Bosnian Serbs to tighten grip on Sarajevo

The Bosnian Serbs, in a clear warning to the west not to impose punitive measures for their refusal to sign a peace agreement, have said they will reimpose their blockade on civilian traffic in and out of Sarajevo from today. Mr Radovan Karadzic, the Bosnian Serb leader, told the United Nations in Sarajevo that its convoys would be the only traffic allowed in and out of the Bosnian capital. The Serb threat could mean the virtual reimposition of the siege of the capital which ended with a truce in February. It is also a pointed reminder to the west of how rapidly the situation in Bosnia as a whole could deteriorate if the Serbs reverse the concessions they made earlier this year.

A meeting in Geneva this weekend of the five foreign ministers involved in designing a peace plan for Bosnia is expected to hear calls, particularly from the US, for tougher action against the Serbs. The latter have described the peace proposals as incomplete, a stance which has been widely condemned as tantamount to rejection. However, in another serious challenge to western policy in Bosnia, General Pavel Grachev, the Russian defence minister, said in Belgrade that he did not want to see Nato playing a greater role in former Yugoslavia. *Foreign Staff, London*

Stakes raised over Chernobyl

Ukraine's prime minister and the chairman of parliament have said they favour keeping the Chernobyl nuclear power station open unless the international community provides more money to help close it and supply new sources of electricity. Offers of $600m from the European Union and $200m from the Group of Seven earlier this month were not enough, they said, to shut Chernobyl down and replace it with a safer nuclear plant. The EU has estimated the cost at $1.6bn. Ukrainian nuclear officials have claimed that undue pressure is being put on Ukraine with respect to safety, compared to other east European countries. "If there is not enough money," said Mr Serhiy Parashin, director of the Chernobyl station, "we freeze the process of improving safety." *Jill Barshay, Kiev.*

Poles suspend steel strike

Workers at Poland's Huta Warszawa-Lucchini steelworks, which is 51 per cent owned by Italy's Lucchini group, have suspended a seven-week sit-in strike after management agreed to pay talks. A strike leader said: "We decided that it would be unwise to keep striking during talks and the workers accepted this point of view." Lucchini's decision to drop the issue of the strike's legality had opened a way to agreementn he said. The strikers are demanding a 30 per cent pay rise and rapid modernisation of the mill, claiming delays in investment have prevented productivity increasing and eroded their earnings. *Reuter, Warsaw.*

Ulcer drug ruling welcomed

Astra, the Swedish pharmaceuticals group, yesterday welcomed an EU committee verdict endorsing the safety of its top-selling anti-ulcer drug, Losec. The committee was responding to German health authority concerns that injected versions of Losec could cause blindness. The committee for proprietary medicinal products concluded there was no causal link between the intravenous use of Losec and the reported side-effects experienced by some critically ill users. There was no case for recommending restrictions on the drug's use, it added. Astra has agreed to revise its information to doctors accordingly.Losec is one of the world's fastest growing medicines, with 1993 total sales worth SKr12.7bn (£1.06bn). Intravenous versions of the drug account for just 3 per cent of sales as it is usually taken orally. The group's A shares, which have been overshadowed by the German claims in recent months, rose SKr3 to SKr170. *Christopher Brown-Humes, Stockholm.*

Greece to alter tendering rules

Greece's public works minister, Mr Costas Geitonas, yesterday presented to parliament new legislation reforming tender procedures for road and port construction. The proposed law aims at defusing a dispute with the European Commission that could delay disbursement of more than Dr250bn ($1.1bn) in European Union aid to Greece for infrastructure improvements, due to be transferred later this year. The public works ministry has already postponed tenders worth more than Dr100bn because of the Commission's objections to the way bidding is carried out. Several Greek contractors recently offered discounts of up to 80 per cent on EU-backed motorway and harbour projects, with the aim of recouping costs later by renegotiating the contract terms. The new law calls for tighter conditions on tendering, including examinations of companies' recent financial results, and stiff fines for contractors who fail to meet project deadlines. *Kerin Hope, Athens*

New blow struck in 'tuna war'

More than 300 Spanish trawlers yesterday sealed off entry to the main domestic northern ports and also to the harbour of the French border town of Hendaye in protest against EU regulations over the use of drift nets. The blockade, which affected both the important industrial port of Bilbao and the port of Santander, a main entry point for tourist-laden ferries from Britain and France, marked an escalation in a running "tuna war" between Spanish and French fishermen. Last week the Spanish trawler fleet boarded a French vessel at sea and towed it back to its home port where the local authorities established that it had been using 5km-long drift nets, twice the length permitted by EU regulations. In retaliation, the French navy impounded a Spanish trawler which was subsequently fined for taking undersize fish. Spain's trawler fleet said it would continue its protest until the EU took firm action against the use of oversize nets. *Tom Burns, Madrid.*

ECONOMIC WATCH

Greek current account boost

Greece's current account deficit fell sharply in the first four months mainly thanks to increased transfers from the European Union structural funds. The January-April deficit totalled $91m (£60m), against $654m for the same period last year, according to central bank figures. However, the underlying trade deficit worsened as exports fell by 12 per cent to $1.56bn, maintaining last year's steady downward trend, while imports rose by 2.3 per cent to $5.88bn. The 32 per cent rise in EU transfers, totalling $2.4bn, was due to much-increased funding for infrastructure improvements, which is due to continue over the next four years. At the same time, income from shipping and remittances from Greeks working abroad declined by 6.5 and 1.3 per cent respectively, while earnings from tourism rose by just 2.3 per cent for the first four months this year. *Kerin Hope, Athens.*

■ Consumer prices in the west German state of Hesse rose 0.1 per cent in the month to mid-July for a year-on-year increase of 3 per cent, the state statistics office said. Baden-Württemberg reported that consumer prices were flat in July compared with June and up 3 per cent from a year earlier. North Rhine-Westphalia reported month-on-month inflation at 0.1 per cent, with the year-on-year figure up 2.7 per cent. These regional figures support forecasts that annual inflation in western Germany will drop below 3 per cent in July for the first time since April 1991.

■ Ukraine's industrial output was down 36 per cent in the first six months compared to the same period last year, but the downward trend has slowed since May, the statistics ministry said. The decline was largest in oil refining, chemicals, machinery, metal manufacturing and construction materials.

Moslem radicals try to shatter peace process

The London bombing is the third such attack this month

By Julian Ozanne in Washington and David Horovitz in Jerusalem

It is no coincidence that yesterday's bomb attack against the Israeli embassy in London came hours after Israel and Jordan had signed an historic peace accord in Washington.

The handshakes and near euphoria of Israeli and Jordanian leaders in Washington should not conceal the fact that the Middle East remains a tinderbox.

Far from subduing Islamic fundamentalism, the peace process has sharpened the awareness of Moslem radicals that they risk being marginalised unless they redouble their efforts to sabotage peace This means striking not only at Israel but also at the moderate Arab regimes and leaders in Egypt, Jordan and the Palestine Liberation Organisation .

The peace process thus remains fragile and largely dependent on the continued political survival of men like Yassir Arafat, King Hussein and President Hosni Mubarak of Egypt.

Israeli officials believe the London bombing is linked to a bomb in Buenos Aires last week that ripped apart a Jewish cultural centre and left 96 people dead and an explosion aboard a small plane in Panama on July 19 that killed 21, most of them Jewish businessmen. They say the new bombing campaign marks a concerted, well planned attempt by Iran and the Islamic groups it supports not to be isolated by an emerging western alliance in favour of Middle East peace.

BOMBING INCIDENTS

26.07.94: Car bomb explodes behind consular section of Israeli embassy in Kensington High St., London, injuring 13, one seriously.

19.07.94: Twenty-one killed, mostly Jewish Panamanian business leaders, when a commuter plane on a short flight from Colon to Panama City exploded and crashed. The President-elect of Panama said later a bomb was responsible.

18.07.94: Bomb in van outside main Jewish centre in Buenos Aires leaves 96 dead and others missing.

17.03.94: Thai police discover a huge bomb in an abandoned truck in what is believed to be a bungled attack on the Israeli embassy in Bangkok.

Israel has long wished for the development of a new alliance in the Middle East based on opposition to Iran and its export of fundamentalism. Part of Israel's peace drive in the past two years has been fuelled by the belief that if the Jewish state waited it would soon be faced by Islamic regimes less willing to compromise.

Mr Yitzhak Rabin, Israeli prime minister, yesterday warned the world was facing "a wave of extreme Islamic radical terrorist movements" with infrastructure throughout the world which followed the radical teaching of Ayatollah Khomeini, the late Iranian religious leader. Mr Rabin described the threat as "Khomeinism without Khomeini" and said moderate Arab governments, Israel and western states were all at risk.

Nobody has a detailed picture of how the extremist groups operate but Israeli security officials believe they draw on a considerable network of contacts and cells abroad and on training bases in Iran, Pakistan and the south of Lebanon, virtually controlled by the Iranian backed Hizbollah Party of God. A Lebanese group called Ansar Allah, the Followers of God, claimed responsibility for the Argentinian blast.

The officials also believe that, while many of the groups operate independently, they are bound together by a religious philosophy which opposes Western decadence and seeks to establish Islamic republics throughout the Moslem world. The groups are opposed to the Middle East peace process and the moderate secular Arab leaders and want to see the state of Israel destroyed. They can attract young people with the promise of martyrdom for carrying out attacks.

The Hamas Islamic Resistance Movement is one such group operating in the Palestinian self-ruled areas and the Israeli occupied West Bank.

Israeli officials also blame Syria for cootinuing to allow extremists to operate from Damascus, charging that President Hafez Assad could do much more to halt Hizbollah and other Islamic groups if he so wished. Israel says Mr Assad is still pursuing a two-track policy using violence to force further concessions in peace talks.

Israeli officials said the international bombing campaign coincided with a renewed wave of anti-Israeli activity by Hizbollah gunmen in south Lebanon. On Monday, in what were described by the Israeli army as some of the worst clashes for months, Hizbollah mounted a series of attacks on Israeli positions inside Israel's self-declared security zone in south Lebanon, killing an Israeli paratroop officer and seriously injuring another. "It's all part of one connection in the struggle against Israel compounded by the desire to stop the peace process," said Reserve General Shlomo Gazit, former army intelligence chief.

Ten Palestinian groups opposed to the Israeli-PLO peace process are based in Damascus, including Mr Ahmed Jibril's faction which have threatened to assassinate Mr Arafat. Several of the groups issued statements yesterday condemmning the Israeli-Jordanian accord as a crime and "black day of mourning".

As the Middle East peace is jigsaw falls into place the real battle against Islamic extremism is likely to intensify.

Buenos Aires: one of a series of bombings of Jewish targets receotly

Storm of protest over Jerusalem clauses

By Julian Ozanne in Washington

Israel's latest manoeuvres on Jerusalem, the most sensitive issue lo Arab-Israeli peace talks, has ignited a storm of Palestinian and Arab protest against the historic Israeli-Jordanian peace declaration signed in Washington.

Palestinians attacked the agreemeot's recognition of King Hussein's special role over Jerusalem, which they see as their futuro capital, reflecting a decodes-long rivalry between King Hussein and Mr Yassir Arafat, the chairman of the Palestine Liberation Organisation. King Fahd of Saudi Arabia, who also lays claim to special jurisdictional rights over the holy city is also likely to have been angered by the accord.

The declaration says Israel respects Jordan's "present special rols" in administering Moslem holy shrioes lo Jerusalem including the 1,300 year-old Dome of the Rock and the Al Aqsa mosque on the Temple Mount, Islam's third boliest site after Mecca and Medina io Saudi Arabia. The agreement also grants King Hussein, a direct descendant of the propbet Mobammed, a "higb priority" in future negotiations over the permanent status of the disputed city, expected to begin in 1995 or 1996.

Angry Palestinians said Israel was attempting to de-politicise the issue of Jerusalem by turning it into a religious matter and had no right as an occupying power to cede any Palestinian rights to Jordan. The Palestinians want Israeli-occupied Arab East Jerusalem, including the old city, to become their capital. Israel however sees all Jerusalem as its "eternal and non-divisibls capital".

The PLO said yesterday the agreement "predetermines the fate of Jerusalem and limits it only to a role in the Islamic holy places and ignores Jerusalem as a political, Palestinian, Arab, Christian and Islamic issue and ignores the fact that it is an occupied city."

Since Israel captured the old city and the West Bank from Jordan in the 1967 Arab-Israeli War King Hussein has continued to act as custodian of Jerusalem's Islamic sites and has paid for their upkeep. Last year the King paid $8m for the restoration of tbe golden cupola of the octagonal Dome of the Rock.

The King's strategy has been to safeguard his family's role and block any competing claims from the Arab world. Israel is much bappier with the King having a religious role over Jerusalem than with the PLO's political claims and has consistently denied PLO officials the right to visit Jerusalem or establish any institutions in the city.

Last wsek Mr Arafat attacked Israel's invitation of King Hussein, who has often been at loggerheads with the PLO chairman, to pray at the Al Aqsa mosque.

Islamic fundamentalists in Gaza in a rare display of unity with the PLO also attacked the agreement.

HK backs away from bank reforms

By Simon Holberton in Hong Kong

The Hong Kong government has drawn back from comprehensive reform of the colony's banking systsm and has passed to its successor government in 1997 the issue of interest rate deregulation.

In February Hong Kong's Consumer Council called for the phased deregulation of interest rates governing small deposits, and for far greater disclosure of the true nature of bank profitability. The council said the banks reaped monopoly profits from an interest rate cartel, and that bank secrecy no longer served any purpose.

In ths government's reply yesterday, however, Mr Michael Cartland, secretary for financial services, said the administration had to strike a balance between competition in banking services and ths need to maintain stability in ths colony's monetary and banking systems. He said he also doubted if small depositors would benefit from deregulated interest rates.

The government's cautious response to liberalisation underlined its concern about the possibility of financial instability in the run up to Hong Kong's change in sovereignty in 1997. It was a large, if expected, victory for the banks which had argued vigorously against any change to the status quo.

In a concession to the consumer lobby, however, Mr Cartland said that restrictions on the rates of interest governing time deposits could be lifted in 1995. These interest rates cover about 4 per cent of the Hong Kong dollar deposits.

Three ex-premiers back plan to set up new party in Japan

By William Dawkins in Tokyo

Three former Japanese prime ministers have agreed in principle to try to form a large centre-right party, a step towards the regrouping of Japan's fragmented political opposition.

Mr Toshiki Kaifu, a pioneer of political reform who left the ruling Liberal Dsmocratic party last month; Mr Tsutomu Hata, leadsr of the Japan Renewal party, the linchpin of the last coalition government; and Mr Morihiro Hosokawa, head of the Japan New party, met this week for their first discussion of joint policies.

Their lunchtime meeting, at a Tokyo hotel, is the fruit of four weeks of behind-the-scenes preparation by party officials, led by the JRP's Mr Ichiro Ozawa, the former coalition government's backroom strategist. Such senior figures would only meet if officials had already coms to an outline agreement to join forces. Speaking in Washington, Mr Ozawa said he aimed to form the new party, to be larger than the LDP, by September.

The partners agreed to Mr Kaifu's proposals that the new party should support Japan's participation in the prevention of international disputes, uphold the Japan-US security treaty as the staple of Asian regional stability, and that it should promote UN controls on the arms trade. On domestic policy, Mr Kaifu called for deregulation and reductions in Japan's high consumer goods and land prices.

Broadly, the trio advocates a higher profile for Japan in international affairs and more radical economic deregulation than the current one-month-old conservative administration.

Mr Kaifu appears to have become the trio's informal figurehead. He was the previous coalition government's candidate for prime minister, in a parliamentary vote won late last month by the combined forces of the LDP and Social Democratic party. Mr Kaifu was LDP prime minister for just over two years until 1991, when he lost office because of his party's reservations about his eagerness to reform the corrupt political system. In the event, the first non-LDP government for 38 years, under Mr Hosokawa, achieved parliamentary agreement on reform plans similar to Mr Kaifu's.

If the blueprint for the new party does turn into reality, it will confirm a trend seen by many political observers for the present web of political alliances to simplify into two or three groups. These would include the LDP and the new centre-right party, similar to the US Republicans and Democrats, plus a left-wing fringe.


Ex-premiers get together: (from the left) Morihiro Hosokawa, Tsutomu Hata, and Toshiki Kaifu

Murayama under fire over prices

By Emiko Terazono in Tokyo

Mr Tomiichi Murayama, the Japanese prime minister, faced mounting public criticism yesterday over his government's decision to end a price freeze on public sector services at the beginning of next year.

The move overturns a decision in May by the previous government of Mr Tsutomu Hata to delay increases in public charges, ranging from telephone bills to motorway tolls, for fear of harming economic recovery. The Liberal Democratic party, then in opposition, strongly resisted such a move.

Apart from an edverse impact on the economy, the price rises have been condemned as supporting multi-layered bureaucracy. Public service operators, including the Japan Highway Public Corporation, have been accused of creating numerous affiliating groups to accommodate retiring bureaucrats.

Mr Takeshi Nagano, president of the Nikkeiren employers' federation, criticised yesterday's decision as a step back in Japan's move to reform its politics and industry.

To reduce the mounting public ire, cabinet members attached conditions to the price rises, including rationalisation and cost reduction programmes by companies and public service organisations.

Meanwhile, workers' union groups, long supporters of the Social Democratic party, revealed yesterday that they were ready to drop their endorsement if the SDP goes into the next election together with the LDP.

Cautious line on Japanese recovery hopes

By Gerard Baker in Tokyo

The recovery of the Japanese economy is continuing, but could be knocked off course, according to a report presented to the cabinet yesterday by the government's Economic Planning Agency (EPA).

In a wide-ranging review of the country's longest recession since the second world war, the EPA's economic survey of Japan argues that structural reforms are needed to lift long-term economic prospects.

The report is highly circumspect about immediate prospects. While it points to recent increases in consumer spending and falls in stock levels as encouraging signs, it fails to endorse the optimism of the Bank of Japan, which stated last week that the economy was headed for recovery.

"We hope that bright spots will spread through various sectors of the economy and we think that is possible," was as far as one official was prepared to go.

This time last year the EPA argued that the economy had almost hit bottom, only to see its forecast derailed by the sharp rise of the yen in the second half of the year. Anxious not to repeat the error, the report this time says the yen's further appreciation in the last few months again threatens the recovery.

However, agency officials pointed to several factors likely to limit the damage done by the high yen. The yen's rise has been smaller than last year and has been principally against the dollar. The world economy is also much stronger this year.

But the EPA is less optimistic about another threat to the recovery: the weak state of corporate balance sheets. Debt-burdened companies are reluctant to undertake big investment projects, and those that have done so have found banks unenthusiastic about lending, given their own asset quality problems.

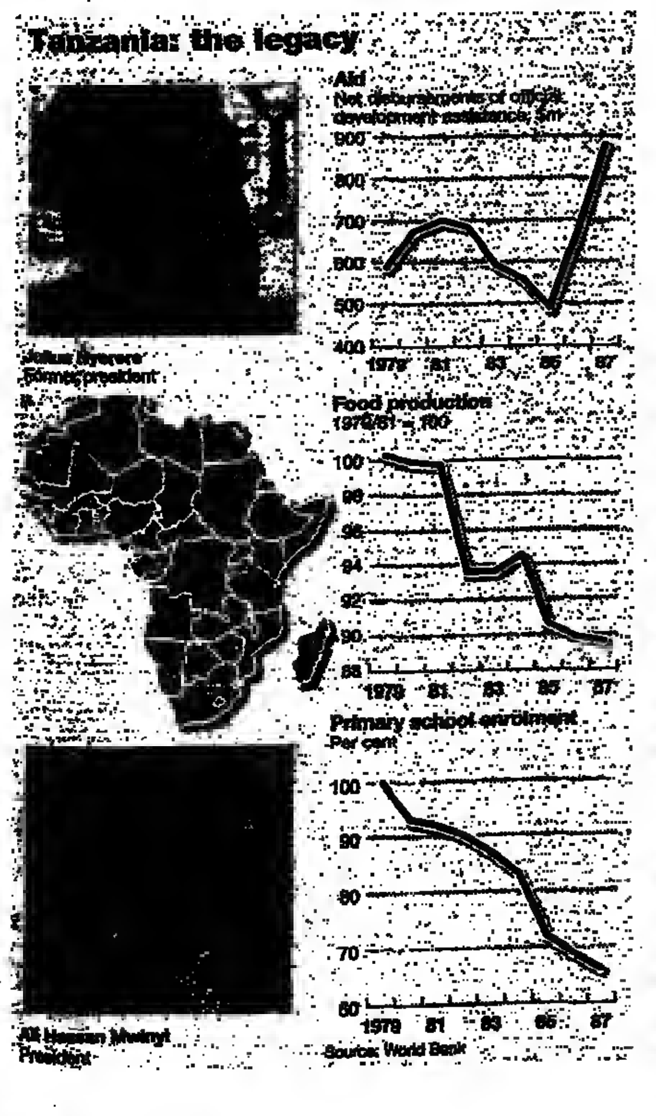
The EPA also says "disinflation" – defined as a low or negative rate of inflation – has gone beyond the extent normally seen in a recession, as weak demand was compounded by a strong currency and the growth of discounting. Though falling prices were good news for consumers, they threatened profit margins and led to a further deterioration of corporate balance sheets.

The report says the protracted recession has exposed a number of structural weaknesses in the economy that had been masked by the rapid expansion during the so-called bubble years. Companies need to review shibboleths such as lifetime employment and seniority-based pay if they were to grow, the report says.

The EPA also announced yesterday that a key economic activity index stayed above the "boom or bust" line for the third successive month in May. The coincident indicator index stood at a preliminary figure of 60 per cent, unchanged from April's figure.

The index comprises a basket of figures such as industrial production and consumer demand.

However, agency officials warned that early indications for the June figure suggested it would slip below 50 per cent.



World Bank laments its Tanzania role

Hans Georgeson and Michael Holman on an internal study that admits to uncritical support for Nyerere

If countries were assessed as aid projects, Tanzania might be regarded as one of Africa's biggest white elephants.

Thirty years after independence, and some $16bn worth of aid later, a country which once aspired to self reliance has become aid dependent, with nearly 50 per cent of its recurrent and development budget funded by donors.

And a country once in the vanguard of African socialism has becoma a salutary example of the failure of state controlled economies.

Today Tanzania, like most of Africa, has abandoned unrealistic aspirations and a discredited economic system, and embarked on a protracted, painful path of reform, based on the principles of structural adjustment, backed and monitored by the World Bank and the International Monetary Fund.

But a hitherto unpublished Bank evaluation of Tanzania's formative years, produced in early 1990, contains at least one reason to bs cautious about today's financial orthodoxy.

The report makes clear that in the late 1960s and until the early 1980s, the Bank pursued with equal conviction policies which – as it later privately acknowledged – contributed to the economic crisis which gripped Tanzania, and from which it is still battling to recover.

Two individuals – both powerful, charismatic personalities – permeate the document, although the one is never named and the other makes rare appearances: Robert McNamara, former US secretary of state who as president of the Bank between 1968 and 1981 did more than any man before or since to shape the world's largest development agency; and former President Julius Nyerere, Africa's eloquent intellectual who attempted one of Africa's most ambitious pieces of social engineering.

The tough American both encouraged, and sometimes indulged, judging by the Bank report, Mr Nyerere in a well-meaning but ultimately disastrous programme, funded by the Bank and bilateral donors led by the Scandanavian countries.

None of these donors challenged the conventional wisdom, though by the mid 1970s it was apparent that Mr Nyerere's vision was turning out to be an egalitarian folly.

Comments from the report, as outspoken a self-appraisal as any that has seen the light of day, throws fascinating light not simply on Mr Nyerere's failures, but on the Bank's complicity in a multi-billion aid project that went sadly wrong.

When Julius Nyerere, Edinburgh University graduate, persuasive and eloquent, unveiled his socialist blueprint in 1967 in what was called the Ujamaa declaration, one of his first objectives was to regroup the country's scattered peasant families into villages.

It is a measure of Mr Nyerere's persuasive powers that he was able to carry out one of Africa's largest compulsory resettlement schemes with not a single leading donor's demurring, at least in public. By 1977, 14m peasants and families had been forcibly relocated to Ujamaa villages in an effort to make water, health and education more accessible.

Initial gains in literacy, primary school enrolment and life expectancy in the post-independence era seemed to validate Mr Nyerere's approach.

But by the mid-1970s several things were becoming clear: Tanzania was living beyond its means; aid projects were seldom self sustaining, and donors were having to maintain as well as fund projects, such as roads; the state-dominated industrial sector was increasingly inefficient; and agricultural production was falling. The production of cashew nuts, for example, fell by 83 per cent in the five years from 1975 as a result of "villagisation".

As a key passage in the report points out, "Tanzania's unprecedented access to concessionary flows of external capital has allowed it ... to maintain a high rate of largely ill-conceived and uneconomical industrial investment. The cushioning effect of this access to funds, at least until the late 1970s, reduced the government's receptivity to external advice for badly needed reforms in the country's economic planning and management system, policy framework, and institutional arrangements."

It also highlights a problem still common among development agencies – government, multilateral and voluntary – in Africa today: a reluctance to speak bluntly and frankly about recipient government shortcomings.

"No attempt was made to communicate to the political leadership at the highest level privately the true dimensions of the situation – at least not until the late 1970s," says the report.

It goes on: "The Bank's continuous exhortation of ths donor community to provide assistance ... has sustained a constant inflow of official aid that helped maintain irrational domestic policies".

The decline in the country's industrial sector was largely as a result of nationalisation, but the exercise was aided and abetted by what the report calls "the Bank's approach toward and unconditional support of Tanzania's industrialisation effort [which] did little, if anything, to forestall the sector's present morass".

By the mid-1980s Tanzania's honeymoon with the dooors was ending and overall aid levels have been falling over five years, reflecting a combination of recession in the developed economies, aid fatigue and dissatisfaction with Tanzania's performance.

Today, with Tanzanians' per cepite incomes more than halved since 1980, the government of President Ali Hassan Mwinyi is trying to redress the legacy with mixed results.

Increasingly institutionalised corruption, permeating the very top echelons of government, is threatening to undermine fragile macro-economic stability.

Evaluations of the effectiveness of aid to Tanzania are being undertaken by Sweden and the Netherlands. Denmark and Finland are planning similar exercises.

Many donors are still cautious in their public comments, though a Scandanavian foreign ministry official acknowledges that its aid programme "supported Tanzania through a period when, in retrospect, we probably shouldn't have".

After $16bn worth of aid a country which once aspired to self-reliance has become aid dependent

NEWS: THE AMERICAS

Washington fights to save crime bill

By Jeremy Kahn in Washington

The White House and Congress are working feverishly to salvage the crime bill, which is stalled amid bitter disputes over race, the death penalty and a proposed ban on assault weapons.

The proposed, multi-faceted law passed the Senate and House in varying forms last spring but has been beld up for weeks in a joint House-Senate conference committee. After a week's postponement, the committee was due to meet yesterday for what could be final negotiations.

If the committee does not this week release a bill which both chambers of Congress can pass, it is unlikely to be enacted this year, dealing a big blow to the Clinton administration.

President Bill Clinton met leaders of the influential congressional Black Caucus yesterday to try to work out a compromise on a provision in the House version thet would allow defendants to use statistics to challenge the death penalty as racially biased.

Backers of the provisioo say the death penalty is applied disproportionately to black people.

The Senate version of the bill does not contain this provision, and Senate Republicans have threatened a filibuster to kill any crime bill that includes "racial justice" provisions.

The White House initially favoured the so-called Racial Justice Act but has since retreated in the face of fierce Senate opposition, outraging the Black Caucus, whose votes may be essential to passing the crime bill in the House.

The administration last week offered a compromise: Mr Clinton would sign an executive order mandating federal prosecutors to consider race in death penalty cases and appointing a commission to study the problem.

But the Black Caucus baulked at the deal, vowing to fight on. It was not clear whether the meeting yesterday with Mr Clinton had changed their minds.

Also causing trouble for the bill is a proposed ban on 19 kinds of assault weapons. The ban passed both the House and Senate, but is adamantly opposed by the Mr Jack Brooks, House chairman of the conference committee, who has attempted to weaken the ban.

Many gun control advocates in both Congressional houses think the ban has the votes to pass in the final version of the bill. They feel the conference committee should not attempt to compromise with Mr Brooks, but the latter could further stall the crime bill in the committee, increasing the chances time will run out for it this year.

The White House is eager to get a bill onto the floor of Congress this week to clear the decks for health care reform.

Grandees on parade

Jurek Martin at the Whitewater hearings, day one

If the first morning of the Whitewater hearings in Congress produced few fireworks, it offered even so an absorbing public contrast between three men – Mr Henry Gonzalez, Mr Jim Leach and Mr Lloyd Cutler, all in their respective ways Washington institutions.

Mr Gonzalez, 78-year-old, balding, Democratic chairman of the House banking committee, is a cantankerous Texan, one of Washington's great manglers of the English language, but a ferocious investigator of malfeasance in financial institutions. Usually rumpled, yesterday he was dressed in an immaculate white summer suit.

Mr Leach, 52, is a previously mild-mannered, moderate Republican from Iowa who has made Whitewater his passion. He, too, was dressed for the occasion in smart dark suit and tie; the old sweater and jacket tbat used to be the trademark of this anglophile former Rhodes Scholar bad been left in the closet.

Mr Cutler, the white-haired 76-year-old White House legal counsel, is the epitome of Washington superlawyers, an adviser to presidents beyond number, opera buff and bon vivant.

He was dressed as usual, as if be were in court, exuding authority and calm.

It was Mr Gonzalez, with the power of the gavel, who struck first.

He bluntly ruled out of order any questioning of witnesses on the circumstances relating to the suicide last summer of Mr Vincent Foster, then White House deputy legal counsel. A Republican demurred but the chairman rammed through his edict by voice vote – all 31 Democrats concurring and all 19 Republicans opposing.

He then laid down the rest of the rules, as specified by the custom of his committee, the diktat of both the House and the bipartisan leadership of Congress and by agreement with Mr Robert Fiske, the independent Whitewater counsel.

These were five minutes per committee member for questions, though time could be yielded by one congressman to another; no straying from the committee's brief to confine itself only to the "Washington end" of the affair; and any witness facing a question outside the remit would be told he was under no obligation to reply.

"As I have said repeatedly, ad nauseam, we're not here to prosecute anybody," he pronounced.

And just in case some poor soul had not received the message on the other side of the aisle, he castigated Republicans for daring to leak to the press material from Mr Fiske's investigations.

Mr Leach sat quietly through this, but his turn came. He spoke at length – and it was but a fraction of a longer statement, with documentary materials attached, submitted for the record. He is a man who recently has tended to blow hot and cold on Whitewater, hot on moral outrage but much cooler to some of the wilder conspiracy charges bandied around by right-wing Republicans.

Whitewater might not bs Watergate, Mr Leach said, but, in partisan tones matching those of the chairman, it was the product of "one-party government".

It was also "about the arrogance of power" by a government "run by a new political class which takes short cuts to power with end runs round the law."

He complained bitterly about what had been proscribed from the committee's hearings, yet agreed that they should not come to resemble a trial. Yet there were unanswered questions about contacts and criminal referrals that could not be ignored.

Public ethics were not an "incidental" matter but at the core of a functioning democracy. "In terms of symbolism, both of the disjunction of private and public ethics and as a case study on how not to handle a scandal, Whitewater takes on more significance. . . accountability is in order but a constitutional crisis is not."

Mr Cutler would be very good if there were a such a crisis (he has over the years mada a number of proposals for improving tha constitution) but on this occasion his brief was calmly to present the facts as he had ascertained them during the course of his review.

Ha offered the Whitewater hounds some already well chewed bones, speaking of "meetings that should not have happened. . . subjects that should not bave been discussed," but no raw meat. Whatever had been said by whom, to whom, when and where did not result in any action by a regulatory agency connected even remotely with Whitewater that could possibly be interpreted as helpful to the president or anybody else.

With that, Chairman Gonzalez metaphorically banged the gavel again and ordered all the committee off to hear King Hussein of Jordan and Prime Minister Rabin of Israel address a joint session of Congress.

Henry Gonzalez: A ferocious investigator of malfeasance Picture: AP

Mexican candidate injured in crash

By Damian Fraser in Mexico City

The main leftist opposition party in Mexico has demanded a meticulous investigation of a road accident that left its candidate for governor in the southern state of Chiapas seriously injured, and three of his colleagues dead.

Mr Amando Avendaño, of the Party of Democratic Revolution (PRD), was reported to be in a serious condition after his car had collided with a lorry on Monday morning. He has a punctured lung, broken ribs and facial and neck injuries, but was reported to be conscious.

Mr Avendaño's wife said that she believed the crash had been planned and was part of a campaign against the movement for peace in Chiapas. Mr Avendaño, an editor of a local newspaper in the town of San Cristóbal de las Casas, has been attacked by local ranchers and other landlords for his good relations with the Zapatista rebels who began an insurrection in Chiapas on January 1.

The PRD candidate was on his way to the state capital for a breakfast with candidates from other parties. The lorry that hit his car was driven on the wrong side of the road and had no number plate. Its driver fled soon afterwards, apparently unharmed.

The state attorney-general, believing that the accident was caused by the lorry being driven too fast around a corner, insisted that there was no indication of the crash having been planned. However, he promised an "honest, clear and transparent" investigation. The lorry driver has been identified.

The crash has raised fears of further instability in the state of Chiapas, before the Mexican presidential election and the state election on August 21. Zapatista rebels control a small part of the state and are planning to hold a "convention for democracy" early next month. The PRD has agreed to send observers.

US consumer confidence remains high

By Michael Prowse in Washington

US consumer confidence edged lower this month but remains close to a four-year high, the New York Conference Board, the business information group, said yesterday.

Separate figures on employment costs indicated little evidence of upward pressure on wage inflation despite the robust economic recovery.

The board said its index of consumer confidence fell to 91.6 against 92.5 in June. The decline was entirely accounted for by slightly less optimistic expectations for future growth and jobs; consumers' assessment of current economic conditions improved slightly.

The survey is based on a sample of 5,000 households.

Mr Fabian Linden, for the board, said the rise in the expectations component of the index "suggests a continuation of steady, moderate economic growth in the second half of the year". He noted encouraging shifts in buying intentions: plans to purchase cars registered a solid gain after declines in May and June; plans to buy homes were also up, although not to levels of earlier this year. Consumers, however, said they were less likely to buy household appliances.

The employment cost index – a broad measure of labour costs that includes fringe benefits as well as wages and salaries – rose 0.9 per cent in the three months ending in June, against 0.7 per cent in the previous quarter. The annual increase for private industry workers was 3.4 per cent in June against 3.3 per cent in March.

Wage and salary inflation has edged up slightly since the end of 1992 but the impact on overall employment costs has been more than offset by a sharp fall in inflation of benefits.

Ford joins 'hybrid' electric car project

By John Griffiths

Ford is joining seven US-based advanced technology companies in a five-year, $132m programme to develop prototype "hybrid" electric vehicles.

Such vehicles are seen as possibly the best available compromise between the need to reduce exhaust emissions, best achieved by electrically powered vehicles, and the severely restricted range offered by battery cars using current technology.

Half the funds for the project are to be provided by the US energy department.

"Hybrids" contain two power units; one, typically a small petrol engine, runs at a constant speed to generate electrical energy which is either stored in battery packs for electric-only operation in cities or converted by the second motor directly into mechanical energy for use on highways.

Ford said last night the project aimed to investigate methods of using alternative fuels as well as increasing fuel economy and reducing emissions.

Ford's partners in the project include GE's research and development centre, which will explore energy storage in the vehicles; and Minneapolis-based Onan Corporation, one of the world's largest producers of mobile power generation systems.

The project comes against a background of increasing hostility by the North American motor industry towards stringent anti-pollution standards being introduced in California.

These require carmakers to have at least 2 per cent of their sales made up of "zero-emission" (battery-powered) cars from 1998.

NEWS: WORLD TRADE

Taiwan Gatt move puts Beijing on spot

By Frances Williams in Geneva

Taiwan yesterday said it was prepared to join the General Agreement on Tariffs and Trade with the status of a developed country in a move that will increase pressure on China to bow to tough entry terms for Gatt membership.

The announcement, to the Gatt working party negotiating Taipei's membership, comes three days before a meeting of the working party for China to discuss the basic elements of China's accession protocol.

Beijing, which has been negotiating Gatt membership since 1987, has angrily rejected Washington's insistence that as a leading exporter it should take on the obligations of a developed country.

The Chinese government is anxious to rejoin Gatt, which it left in 1950 after the communist takeover in China, by the end of the year to qualify as a founder member of the World Trade Organisation, Gatt's successor. However, officials have said Beijing will not push for membership "at any cost". China is seeking developing country status, entitling it to a lengthy transition period to phase in market-opening commitments.

Beijing says it is preparing a "final" trade liberalisation offer to put to Gatt members. Intansive negotiations ars expected in September – the deadline for agreement on entry terms if China is to join before 1995.

Following pressure from Beijing, there is an understanding between Gatt members that Taiwan will not be allowed to join the world trade body before China does. Known in Gatt as Chinese Taipei, Taiwan began accession talks in 1992. These have made steady if not spectacular progress, while the Chinese talks have been repeatedly dalayed by rows with the US over trade and human rights issues.

Trading partners reacted coolly yesterday to Taiwan's plea for exceptions to tbe developed country rule, but agreed there had been significant recent improvements in its offers to reduce barriers to foreign goods and services.

Taiwan said yesterday it would scrap all geographical import restrictions and was ready to join Gatt's government procurement code. However, Taipei is asking for special treatment for fish, rice and port taxes.

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Daimler-Benz plans Vietnam investments

By John Griffiths

Daimler-Benz plans to invest DM250m ($159.2m) in commercial projects in Vietnam, including vehicle production, over the next five years.

The German vehicles to aerospace industrial group expects to conclude by as early as next month an agreement on the biggest single project – a DM70m joint venture to produce 10,000 commercial vehicles and cars a year.

The company said yesterday it was in detailed negotiations with several potential partners in the vehicles project, which would be based at a plant near Ho Chi Minh City in south Vietnam. The plans provide for the plant to go on stream at the end of next year, prodncing mainly light trucks and minibuses but including annual output of around 1,000 cars.

Other projects disclosed so far within the DM250m investment are between DM10m and DM15m in energy distribution systems by the group's AEG subsidiary and DM25m for an exhibition centre in Hanoi by Daimler-Benz InterServices its industrial services arm.

The Daimler-Benz venture is the latest of several Vietnamese projects put in train by western vehicle makers keen to take part in Vietnam's accelerating economic growth.

Renault has signed a letter of intent to begin car assembly with kits supplied by Renault from France through Vietnam Motors, a joint venture between Columbian Motors of the Philippines, which holds a 55 per cent stake, Nichimen of Japan with a 15 per cent stake and a Vietnamese state company.

Vietnam Motors already assembles some Mazda models and is to start assembly of BMW's mid-sized 5 Series cars at its plant near Hanoi in September.

In May Mitsubishi Motors became the first Japanese carmaker to enter a joint venture in Vietnam when it received approval from Hanoi to form a joint vehicle manufacturing and sales venture with Proton, the Malaysian carmaker in which it holds a minority stake, and Vietranscimex, a Vietnamese national company.

The venture, Vina Star Motors, in which Mitsubishi Motors, Mitsubishi Corporation and Proton will each hold stakes of 25 per cent, is to assemble the Mitsubishi Delica minibus. Production is scheduled in start next March.

● France is seeking to increase its trade with Asia to about 7 per cent of the regional market, Mr Edmond Alphandéry, the economy minister, said yesterday, John Ridding adds from Paris.

Mr Alphandéry, who was speaking in Singapore after visits to Vietnam and Cambodia, said France must "more than double" its market share in Asia. He described French industry's trade with the region as "far too small" and said it must be brought in line with France's share of international trade, which stands at seven per cent.

In Vietnam Mr Alphandéry signed a financial agreement which provides FFr425m ($79.3m) of preferential loans. The credit will be used to finance work in water treatment, telecommunications, energy and health. He also signed an agreemant cancelling FFr1.2bn of debt and rescheduling another FFr1bn.

In Cambodia, he be agreed on preferential credits worth about FFr64m. He said Cambodia's debts to France would be discussed at the Paris club of creditor nations.

Saudi refinery contracts run up against delays

By Robin Allen in Abu Dhabi

Tbe incomplete takeover of Petromin, the Saudia Arabian government's former domestic crude refining and marketing agency, is adding to difficulties over the supply and pricing of reduced crude and heavy fuel oil feedstock from Saudi Aramco's Yanbu refinery.

It is also aggravating delays behind the formal award to Chiyoda Petrostar of a $248m (£162m) turnkey contract to build the kingdom's second – and much-needed – Lube refinery.

Chiyoda Petrostar is the Saudi affiliate of Japan's Chiyoda Corporation.

Industry sources say that Saudi Aramco has still not completed details of its takeover of all Petromin's refining operations. Petromin, which was absorbed into the Saudi Arabian Marketing and Refining Company (Samarec), was itself taken over by Saudi Aramco in 1993.

"These problems are aggravatiog the already sensitive talks oo the price of feedstock and of return streams, the elements of unused base oil which would be returned by Luberef to Saudi Aramco," industry sources said.

The client, Petromin Lubricating Oil Refinery Company (Luberef), a 70/30 joint venture between Petromin and Mobil Corporation, had been expected to award the contract last April.

Luberef already owns and operates one refinery producing 1.8m barrels a year of base oil, which blenders, including Petrolube, another Saudi-Mobil joint venture, break down to produce engine oils, antifreeze, and transmission and hydraulic fluids.

Domestic consumption of lubricants is now some 2.2m barrels a year, and the kingdom, the world's largsst exporter of crude oil, is now having to import base oils. Domestic demand is rising at a rate of between 3 and 4 per cent a year.

The new 2m barrel-a-year Lube refinery would cover growing domestic consumption as well as enable Saudi Arabia to export base oils for the next 15 years.

Loberef's general manager, Mr Wolf Ziedler, said that there were still arrangements to be finalised before the project could go ahead, including pricing and supply of feedstock, dealings with contractors and with government authorities.

The value of Degassed gas feedstock is calculated according to formulas of market prices for crude plus processed oil by barrel and by tonne. Residual problems from some Petromin operations add to the pricing difficulties.

Without future cashflow gurantees and a pricing formula showing evidence of these satisfactory to the client, commercial banks would be reluctant to finance the plant's construction.

Saudi Arabia's Public Investment Fund and/or the Saudi Industrial Development Fund could provide a portion of the funding. Equity finance from the joint venture partners, plus commercial bank loans, would make up the balance.

All systems go for Oresund fixed link

Hugh Carnegy on tender preparations for the project joining Sweden and Denmark

Work is accelerating on tbe tenders for the first fixed link between Sweden and Denmark now that the Swedish government has at last given the go-ahead to one of Europe's biggest infrastructure projects.

The Oresund Consortium, the joint Swedish-Danish group which is running the project, has published a list of 14 prequalified construction consortia, involving some 50 Scandinavian, European, US and Turkish companies. They were picked from a list of 23 to qualify for bidding for the four main parts of the 16km combined bridge-tunnel, road-rail link across the Oresund channel dividing the cities of Copenhagen and Malmö.

After a delay of about a year, caused by a tortuous row within Swedeo's right-centre coalition over the environmental effects of the link, the first tenders will go out in September, with the first construction work due to begin next summer. If all goes according to the revised plan, the link should open to traffic in the year 2000, a year later than intended when in 1991 the two governments signed their treaty to build the link.

Taken in tandem with the DKr20bn (£2.1bn) Storebaelt bridge-tunnel link between the Danish islands of Zeeland and Funen, due to be completed within the next three yaars, the Oresund link will for the first time provide an unbroken land connection not just between Sweden and Denmark, but also between Sweden and its main export markets in Germany and the rest of Europe. The commercial benefits, especially for the Copenhagen-Malmö region, with its 3.2m inhabitants, are expected to be considerable.

But stringent environmental specifications placed on tha project, principally by the Swedish authorities, have already forced the Oresund consortium to make significant changes in the construction plans to ensure the link will be, in the words of Mr Carl Bildt, the Swedish prime minister, "the greenest bridge in the world".

This will add DKr800m to the estimated DKr12.2bn the coast-to-coast tunnel and bridges are projected to cost in 1990 prices. Associated land works on both the Swedish and Danish sides will add DKr6bn.

The Oresund link is essentially a public sector project, although it will receive no direct state funding. It is to be financed by borrowing on international markets, backed by government guarantees. Payback is scheduled to take 24 years from opening, based on annual revenues (in 1990 prices) of DKr300m jointly from the Danish and Swedish state railway companies and annual tariffs from a projected 3m vehicle crossings.

The chief environmental demand made by the Swedish side was that the bridge section of the project, and the artificial islands it involves, would have no net effect on the vital salt-water flows through tbe Oresund in and out of the Baltic Sea. This so-called "zero solution" is aimed at ensuring no change in the oxygen content of the already badly polluted Baltic waters. Second, the constructors must ensure that spillage from the exteosive dredging works does not exceed 5 per cent of the excavated material.

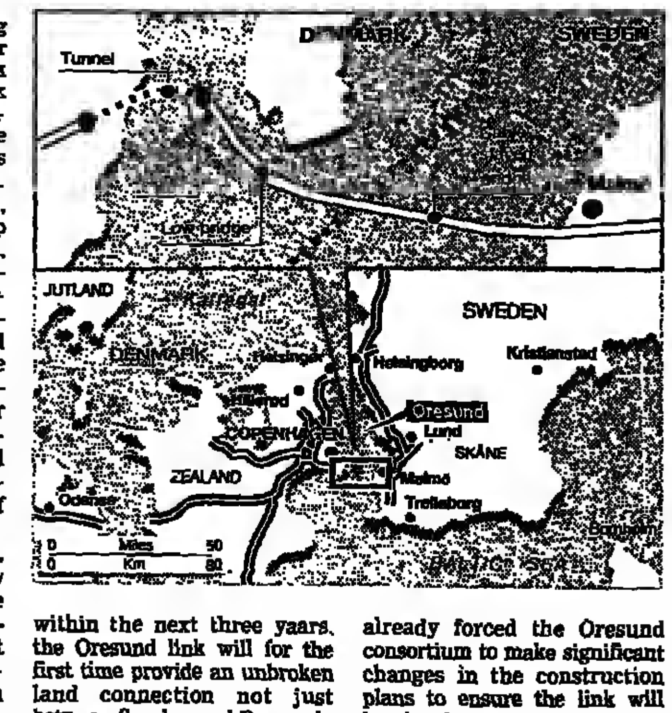
These conditions are "very tough" says Mr Ingmar Björnsson, project director at the Oresund Consortium. "But we have shown that it is possible through a combination of methods. The restrictions will be monitored to make sure we work within the limits set – and these conditions will be among the evaluatioo criteria when we select the contractors."

The environmental conditions entail four main changes: first, extensive dredging will be done off the Danish coast to compensate for the hindrance to water flows caused by the islands and bridge pillars.

Second, a planned artificial island 4km long will now be split into two islands with a 600m bridge between them. Tbird, the tunnel – en immersed concrete-section tunnel sunk in a sea-bed trench linking the Danish side to the artificial islands – will be lengthened by 400m to 3,700m. Last, a man-made peninsula on the Danish side will be narrowed by 200m.

The first tender dates – for the dredging/island building work and the tunnel – will be set for December and next January, with contracts to be signed in May. The tender dates for the 1.09km cable-stayed elevated bridge and the 6.4km of bridges leading to the high bridge are set for March next year.

After all the delays, Mr Björnsson and his colleagues are anxious to get on with the work. Not least because they are fed up with the hour-long journey they must now make almost daily via ferry between Malmö and Copenhagen city centres. Once the Oresund link is up and running, the trip will take 25 minutes.




"I suppose it is a bit out of the way but we did get a grant to move here."
ROAD DISTRIB
INC

Caller ID plan agreed by Oftel

By Andrew Adonis

British Telecommunications will make it possible from November for people to identify the number of callers before answering the phone, and for phones to store the numbers of unanswered calls.

Under an agreement with Oftel, the telecoms watchdog, callers will be able to prevent the display of their number by dialling "141" before the number.

A blocking facility will also be available, and BT is examining the possibility of offering a service which automatically rejects calls where the caller has blocked the display of his or her number.

BT will offer two separate services, each priced at between £4 and £7 a quarter. Oftel said it was concerned that BT provide facilities for competing phone operators to offer the same services if requested.

Negotiations are taking place between BT and competitors about an interconnection arrangement. In pilots of the service in Scotland and Bristol the number-barring facility was little used and most users said they could see no reason for anyone to withhold their number information.

Export data signals steady recovery

But Gillian Tett reports on signs of inflationary pressures ahead

Further evidence that UK manufacturers are witnessing steady economic recovery emerged yesterday after a business survey reported that improving exports contributed to the fastest rise in manufacturing order books for almost six years.

But a sharp rise in the number of businesses expecting to raise prices and indications of capacity constraints in some manufacturing sectors provided one of the first hints that this faster growth might fuel inflationary pressures later this year.

With Mr Eddie George, governor of the Bank of England, due to hold his monthly monetary meeting with Mr Kenneth Clarke, the chancellor of the exchequer, tomorrow these findings are likely to add to City speculation that interest rates may be raised in the coming months.

The Confederation of British Industry's quarterly industrial trends snrvey yesterday showed that one in five manufacturers expects to raise prices in the next four months, while only 8 per cent expected to reduce them.

This marks a rise in price expectations from the previous survey, conducted in April, when slightly more manufacturers were expecting to reduce prices than raise them.

Sir David Lees, chairman of the CBI's economic affairs committee, yesterday admitted that this rise in expectations was "worrying". But be called on the government to hold interest rates steady until at least the autumn.

He said: "In our judgment, the inflation pressures are not sufficiently serious to suggest that monetary policy should be tightened immediately."

The price rises, be pointed out, were occuring from a relatively low base, and the continued intense domestic competition meant that manufacturers had generally not been able to make price rises stick in recent months, even where they had been expecting increases.

The Treasury yesterday welcomed the figures as evidence that the recovery was "becoming broader and stronger."

With the government hoping that the recovery will become more export-driven later this year a steady rise in the reported level of export performance in the survey was "encouraging", officials said.

Meanwbile employment expectations rose in the last quarter, the survey showed, suggesting that manufacturing employment may pick up later this year.

Nevertheless, concerns about the rise in price expectations were yesterday fuelled in the City by hints that bottlenecks were developing in some manufacturing sectors. The number of firms working below capacity fell back to 54 per cent in the last quarter, compared to 59 per cent in April, the survey said.

Meanwhile, the survey gave little sign that UK companies were yet seriously addressing potential capacity constraints. Investment intentions grew at a relatively weak rate last quarter, with only slightly more firms expecting to increase their investment on plant and equipment than expected to reduce it.

Watchdog urged to ignore report on fees

By Norma Cohen, Investments Correspondent

The Office of Fair Trading is under growing pressure from lesding City firms and fund managers not to publish a controversial academic report which concludes that securities underwriting fees are too high.

The securities firms and fund managers, who share in a standard underwriting commission of 2 per cent of all capital raised in a rights offering, fear the report will tarnish the reputation of the City of London. The London Investment Banking Association and the Institutional Fund Managers Association are among the organisations which have sought meetings with the OFT to express their views.

The OFT commissioned the research 18 months ago after it began an inquiry into why all companies had to pay the same underwriting fee to sell new shares, despite the fact that issuing companies present widely varying degrees of risk to underwriters.

"How frequently does the OFT engage in academic debate?" said one City official who said he had met with the OFT about the report. "The danger is if they publish it, it will sound as though they endorse its views." "It could appear that this is another City scam," said another official, arguing that ill-informed press commentators are likely to interpret it that way.

The official argued that the report is flawed, partly because it does not take account of the cost of the capital which securities firms must provide to participate in underwriting. Moreover, he said that although underwriting commissions are standard, varying degrees of risk are reflected in the size of the discount at which new shares are sold.

Those familiar with the research said it draws no conclusions about whether the standard fee is the result of anti-competitive activity and it is believed the OFT has found no evidence of a cartel. However, in private conversations, OFT officials were said to have expressed concerns about a "complex monopoly" which may be operating. If there were evidence of a cartel, it could refer the matter to tha Monopolies and Mergers Commission for review.

It is expected that the OFT will publish the report within the next two months, saying it wishes to encourage public debate. However, it is expected to simultaneously publish a summary of City criticisms of the research.

Britain in brief

Sinn Féin ban to go to Luxembourg

Two High Court judges yesterday referred the government ban on the president of Sinn Féin, the political wing of the IRA, visiting mainland Britain to the European Court of Justice.

The European judges will be asked to lay down legal guidelines on the competing interests of Mr Gerry Adams' right to move freely within the territory of member states, including the UK, and the UK government's right under European law to take action against him in the interests of national security.

A key issue is whether the exclusion order made last October under the Prevention of Terrorism (Temporary Provisions) Act 1989 was "disproportionate" when Mr Adams only wanted to pay a brief visit to parliament to discuss the political situation in Northern Ireland with MPs.

Judges ruled there were "seriously arguable" questions of European law which shonld be considered by the European Conrt.

OFT declines bread inquiry

The Office of Fair Trading has rebuffed pressure from MPs to launch a formal investigation into the price of bread in Northern Ireland.

Sir Bryan Carsberg, director general of fair trading, told the N Ireland committee that he had "not yet been given a reason to believe" that the price differential between the province and the rest of the UK was "likely to be attributable to an abuse of a monopoly position or to some particular anti-competitive practice."

But in a letter to Sir James Kilfedder, the committee chairman Sir Bryan said be had asked officials to "make further inquiries bearing in mind my functions under competition legislation." He said he had taken note during a visit to Belfast in May of "the large share of the market for baking and bread retailing held by one group."

Insurers alter Aids criteria

UK life insurers are to stop asking potential clients whether they have been tested for the HIV virus which causes Aids, in an admission that the industry's initial fears on the commercial risk from the condition have proved unfounded.

Insurers in future will ask only whether a test result was positive or treatment has been received.

Under current practice, an applicant who admits having been tested is often refused a policy or offered one only at a higher premium, even if the test result was negative. The reflects the industry's assumption that only people who considered "high-risk" sought such tests.

But the Association of British Insurers said yesterday that testing for HIV had become much more common over the last few years, both for screening purposes and personal reassurance.

Trident base to cost £1.9bn

The construction of a base for Britain's new Trident nuclear submarines has cost £1.9bn, or 72 per cent more in real terms than originally anticipated, according to a report published by the National Audit Office today.

The cost over-run on the 10-year programme of works at Faslane and Coulport in Scotland reflects changes in nuclear safety standards, and a failure by the defence ministry to define precise requirements in the early stages, the NAO says.

FT deputy goes to Independent

Mr Ian Hargreaves has been appointed the second editor of The Independent newspaper in succession to its principal founder Mr Andreas Whittam Smith.

Mr Hargreaves, 43 first joined Financial Times in 1976. He was most recently the paper's deputy editor. He has also held the post of head of news and current affairs at the BBC.

"The Independent is an important voice in the diversity of the British media. It is important that it develops and remains," said Mr Hargreaves yesterday.

Mr Hargreaves has received a commitment from the board of Newspaper Publishing that no member of the board can interfere editorially. The commitment clearly includes Mr Whittam Smith, who will remain chairman, but on a part-time basis.

Mr Hargreaves says he has also received assurances from all of the main Independent shareholders of their long-term commitment to the paper.

Over the past two weeks he has met representatives of all

Ian Hargreaves

the sole survivor of the trio who founded the paper in 1986. Mr Hargreaves said yesterday he intended to continue the paper's tradition of political nonalignment and keep the title firmly at the top end of the market.

● Mr Andrew Gowers, at present FT Foreign editor succeeds Mr Hargreaves as deputy editor and Mr David Walker, now managing editor, has been appointed to the new post of executive editor.

Skills shortage seen in surveys

Widespread criticism of work-related education and emerging skills shortages that may hamper economic recovery in all regions of the UK are contained in two surveys published today.

A survey of small and medium-sized engineering companies with less than 500 employees published by the Engineering Council showed a shortage of engineers.

A second survey, the latest quarterly national economic survey conducted by the UK 200 group of practising chartered accountants, showed three out of four of their clients foresaw a skills shortage. They urged the government to establish further forms of both vocational and skills training.

Fire to hit bulk contracts

Texaco has told some of its bulk customers that it will be unable to meet certain supply contracts because of the fire at its refinery at Milford Haven in Wales.

Contracts affected are those for delivery in Pembrokeshire, site of the refinery. Texaco also said that it would be unable to meet swap arrangements where payment was due in Pembrokeshire.

Oil companies routinely swap refined products to avoid having to ship them to distant locations. These swaps will enable Texaco to meet its commitments in other parts of the country. The US oil company stressed last night that deliveries to Texaco petrol stations will not be affected by the prodnct shortages.

French plea over shipyard

The defence secretary rejected a call for the government to provide a guaranteed two year, £50m workload for Tyneside shipbuilder Swan Hunter to save it from closure.

Mr Malcolm Rifkind told executives from Constructions Mecaniques de Normandie, the French-based company which is the sole prospective bidder for Swan Hunter as a going concern, that work cannot be directed to the yard and that all future contracts must be won by competitive tender.

However, Mr Rifkind and defence procurement minister Mr Roger Freeman, also at the London meeting, said they would look at a CMN proposal designed to keep Swan Hunter in business while it competes for more work.

The CMN plan would require the MoD to place the £8m, three month refit of the Royal Fleet Auxiliary tanker Olwen with Swans while still in receivership. Until now, the MoD has said receivership does not constitute the "firm financial footing" it requires.

MANAGEMENT

Advisers feel the pinch

Recession has blunted the growth in western Europe's £5.74bn management consultancy market, which has expanded by just 7 per cent over the past two years, according to a report* by Alpha Publications, an independent research company.

It predicts that the pace of growth will increase by an average of 11 per cent a year over the next six years, although this is well below the expectations of a few years ago.

It attributes the lower growth projections to recession, a slowdown in the growth in IT services and social legislation imposed by the European Union.

However, some trends are likely to expand the market, such as privatisation, growth in international consulting projects stemming from increased cross-border competition and new fashions such as business process re-engineering, customer loyalty programmes and delayering.

The slowdown in Europe's economies has steered consultants away from long strategy projects towards offering advice that gives a quick payback by cutting costs or improving performance.

The recession has encouraged the restructuring of manufacturing companies, making them currently the largest users of management consultancy, accounting for 38 per cent of the total market, followed by private-sector services such as banking and communications at 26 per cent.

The 30 largest consultants account for about 60 per cent of the total market, down from two years ago when they accounted for 63 per cent. The chief reason for this change is the increase in the number of small new consulting operations, formed by executives made redundant in the recession.

Vanessa Houlder

**The Market for Management Consultancy Services in Western Europe. Price £2,000. Alpha Publications, Dawn House, 66 Seeleys Road, Beaconsfield, Bucks. HP9 1TB.*

Trading places

John Willman on a scheme that puts top civil servants on the board and executives to work in Whitehall

Could your business benefit from the presence of a senior civil servant at board level as a non-executive director?

The idea might seem bizarre given the popular image of Whitehall as a home for pen-pushers and faceless bureaucrats. But companies taking on top mandarins find they make a valuable input, says Claire Arnold, managing director of the Whitehall and Industry Group*, a charity set up 10 years ago to improve understanding between business and the civil service.

"They have well-honed minds, used to challenging ministers," she says. "They can often bring insights from their experience of government that contribnte to strategic thinking."

WIG is a government-backed group, supported by 64 large companies, including Midland Bank, Cadbury Schweppes, Shell UK Oil and British Telecommunications. Each year, a dozen member companies find places for top mandarins on their management committees or on the boards of subsidiaries. For the civil servants involved, the appointments offer useful insight into the world outside Whitehall.

Coats Viyella recently appointed Norman Glass, chief economist at the environment department, to the board of CV Apparel, a Nottinghamshire-based subsidiary supplying clothing to retailers such as Marks and Spencer.

Bill Shardlow, group personnel director, says he is always keen to encourage diversity on the boards of subsidiary companies. "Regulation is so important to business these days, and a civil servant brings insights into the views and thought-processes of Whitehall," he says. "The feedback is that Norman is a lively and useful board member."

Glass is finding the appointment equally rewarding. "It is a fascinating experience," he says. "The way the company is driven by precise financial and other quantitative targets is so different from the civil service. Civil servants set themselves targets, but are always conscious of the need to respond to the immediata needs of our political masters."

Glass has already helped the board find out what is going on concerning new European Union restrictions on silk imports. And he has been able to provide useful understanding of the advantages to the company of joining Investors in People, a government-backed scheme for improving in-company training.

"I also find I have things to say as an economist, both about the economy as a whole and on particular aspects of business strategy," Glass says. "The contact with a business close to retailing is useful to me in getting a feel for what is going on in the real economy."

Trevor Humphries

Civil servant Nicky Oppenheimer (left) and Kevin McCoy, TSB's director of training

In addition to placing top mandarins as non-executive directors, WIG arranges shorter business attachments for around 50 senior civil servants each year. In most cases, they spend two or three weeks examining a particular function of the company relevant to their civil service responsibilities.

Nicky Oppenheimer, now principal establishments and finance officer at the Lord Chancellor's department, spent her attachment in the personnel department of the TSB, the retail bank. The TSB was restructuring at the time, putting a lot of effort into communicating with staff and handling redundancies sensitively.

"I learnt lessons that have proved helpful in the restructuring we are now involved with in setting up the Courts Service agency," she says.

"I found much in common between the department and the TSB," she adds. "Both have a regional structure which creates difficulties in communicating between regions and the centre."

Oppenheimer also looked at the TSB's approach to staff appraisal, gaining insights for a subsequent review of the department's appraisal system. And she was impressed by the TSB's training programma: "Their purpose-built training centres with the most modern audio-visual techniques were an eye-opener," she says.

For Kevin McCoy, TSB's training director, Oppenheimer offered "a fresh pair of eyes" when looking at the restructuring process. "At the time, we were also developing our policies on equal opportunities, and she was able to bring relevant civil service experience," he adds.

WIG offers member companies the opportunity to learn more about how the civil service works at first hand by arranging short attachments in Whitehall for senior managers. This year it hopes to place around 30 top executives in civil service departments and agencies.

Chris Bond, general manager of the export division of HP Bulmer, the cider company, spent four weeks in late 1992 with the Department of Trade and Industry examining licensing arrangements for industry. The project, a pilot for the department's deregulation efforts, identified the licensing problems encountered by small and new businesses. And it suggested ways of simplifying procedures, including the possibility of issuing licences through the new "one-stop shops" offering small businesses access to DTI support services.

Bond found the job interesting, rewarding and a useful introduction to the processes of government. He also found the placement raised his self-confidence by throwing him in at the deep end in an area where he had no previous experience. "It is a different way of working," be says.

"Ministers tend to be much more remote from the detail than even the most senior managers in business. The political aspects are also very important considerations which you need to understand and bring out. Politics are part of the game in industry, but nothing like so overtly or as such a priority."

The benefits of this two-way traffic between Whitehall and business has led to a "sea-change" in member companies' attitudes to WIG, says Arnold.

"At first, they became involved in the programme because they believed it would be in the interests of the country to help improve relations between Whitehall and business. Increasingly they see the loan of a top civil servant as an attractive option in its own right."

**Whitehall and Industry Group, Room C253, 47 Baker Street, London W1A 1DN.*

Trainers on the interactive battlefield

Tim Dickson looks at forays into viewer participation by two video-based training companies

You've read the book and seen the video; now try the CD-i. That is the current pitch from both Melrose Film Productions and Video Arts, two of the best-known video-based training companies in the UK.

Both have re-issued 10 of their existing training film titles in the more flexible and enhanced CD-i format.

The move represents a new opportunity for corporate, educational and public-sector training managers, as well as marking the training industry's first main skirmish on the multimedia battlefield.

Enthusiasts say that CD-i (which stands for compact disc interactive) offers the same sort of advantages over ordinary VHS videotape that audio compact discs (CDs) have enjoyed over traditional audio tape.

CD-i players deliver a better picture than a conventional video recorder, while users of training films are able to "bop" from episode to episode or participate in a series of interactive exercises added to the original scripts.

CD-i technology was pioneered by Philips three years ago but until recently its main application has been in computer games. The breakthrough for Melrose and Video Arts only came earlier this year with the development of a cartridge that could, for the first time, deliver full-screen, full-motion video pictures at a reasonable price.

CD-i is distinct from interactive video technology, which was marketed in the 1980s. IV not only suffered from poor picture quality but required users to invest up to £5,000 in a separate workstation.

In an effort to kick-start the new CD-i management training market, Melrose has offered a free player, which attaches to a TV set, to customers who buy either of the first two programs being reissued in CD-i form (Motivating The Team and Keeping Customers Cool) before the end of July.

The £995 price tag compares with £870 for the Melrose videos in their original linear form. The offer is identical to Video Arts': its new CD-i range includes established bits such as Meetings, Bloody Meetings and The Dreaded Appraisal.

According to Richard Roxburgh, Melrose chief executive: "In a year or two we think it [CD-i] will be as familiar in the workplace as the VHS video player is now. It is like having your own personal trainer on disc, and it will be enormously attractive as the move to open learning gathers pace."

The Melrose products are designed to be used either as self-study tools (with questions, a choice of answers and feedback), or by trainers who want to stimulate discussion in a group.

The Video Arts titles, by contrast – also enhanced to drive home key learning points and to encourage users to apply the issues to their own organisation – are suitable only for groups.

"We see CD-i as an excellent means of just-in-time training," says Video Arts' Tina Tietjen. "An important part of the re-design is that the instructions are on the screen and you don't have to be a very expert trainer to follow them. In these days of delayering, many training managers have gone and the emphasis is on line managers themselves to make their teams more effective."

The big question mark is whether CD-i will triumph over CD-Rom technology, which can now deliver the pictures and sound through a personal computer.

At the moment this is a more costly option but while the price is certain to fall, Melrose's Roxburgh points out that the PC "is only a one-to-one experience". He also believes that while the PC can be commonly found in the home, the chances are that CD-i will soon be built into new compact disc players.

BUSINESS AND THE ENVIRONMENT

Common sense policy-making

Jeremy Kahn on an overhaul of US environmental regulation

Carol Browner, head of the US Environmental Protectioo Agency, thinks she has discovered what has been missing from US environmental policy – it's called common sense.

Years of EPA anti-pollutioo effort have left "a complex and unwieldy system of laws and regulations, and increasing conflict and gridlock," says Browner, who has proposed a big shake-up in the way the agency is organised and looks at pollution.

The Common Sense Initiative, announced by Browner last week, advocates looking at pollution on an industry-sector basis, rather than targeting specific pollutants.

The EPA has had some successes. It has effectively banned the chemical DDT and successfully fought against asbestos. But the agency too often gets entangled in its own conflicting policies, such as supporting smokestack scrubbers that cleaned up factory air emissions but added to water contamination. Such conflict would lead to internal clashes as the water and air divisions worked at cross-purposes.

Under Browner's initiative, the EPA may eventually be reorganised along industry lines with divisions representing, say, oil and gas refining or automobiles. The EPA chose six sectors for the pilot programme of Common Sense: iron and steel, electronics and computers, metal plating and finishing, automobiles, printing and oil refining. These make up 15 per cent of US gross domestic product and collectively release 345m lbs of toxic waste per year. That is 12.5 per ceot of all toxic waste emissions reported to the EPA.

The new strategy aims to encourage closer, more amicable contact between business groups, environmentalists and the EPA.

Browner wants to make US environmental policy more proactive, with regulation based on long-term planning rather than coming in response to crises, such as the much-criticised Superfund, which provides federal funds to clean up hazardous waste.

Common Sense has some strong supporters, both among conservationists and the business community.

The Printing Industries of America, a national lobby group which developed its own joint anti-pollution effort with the Environmental Defence Fund, strongly endorses the EPA reforms. Mary Marra, director of the environmental quality division of the National Wildlife Federation, said the EPA changes "are probably a good idea".

But some, including environmental groups, are sceptical. The National Audubon Society – the environmental group which led the fight to ban DDT in the late 1970s – criticises the EPA for abandoning an approach that seemed to be achieving success and for limiting the flexibility and range of future options.

Maureen Hinkle, Audubon's director of agricultural policy, says: "Some of the other approaches are being thrown in the waste basket and I don't think they should be so summarily discarded." She also fears that environmental groups would be at a disadvantage in the time-consuming negotiations advocated under the initiative, as they lack industry groups' resources.

Others, such as Greenpeace, like the sound of the new approach but worry that Browner may be pulling a public relations stunt. "It's way too early to judge it, but I think Common Sense has great potential," Rick Hind, legislative director for Greenpeace's toxics campaign, says. However, Greeopeace is "dubious about the concern about minimising environmental and industry conflict," and he adds that the best way to minimise conflict is to have a good pollution prevention programme.

Browner's supporters point to her record in reforming the Superfund legislation. When talks on Superfund reauthorisation collapsed, she stepped in to get them started again to forge oew compromises between the government, business and environmental groups.

It is now up to Browner to convince others – including in her own agency – that Common Sense makes sense.

Victoria Griffith examines growing concerns about the ecological impact of fish farming

Troubled waters

The depletion of fish stocks around the world is triggering a boom in the fish farming industry, which pulls in $800m (£533m) a year in the US. By 2025, fish productioo will have to surge by 70 per cent to satisfy expected demand, according to estimates by the US Department of Commerce. Most of that increase will be met by fish cultivatioo or aquaculture.

But concerns about the ecological impact of fish farming are growing in step with the industry. Originally embraced by environmentalists as a way to take pressure off natural fish stocks, fish farming is coming under attack as potentially harmful to the environment.

One of the criticisms levied at the industry is that cultivated species, particularly in the US, are not species normally harvested in the wild. "There is a lot of aquaculture for fish like catfish and trout whose stocks are not generally harvested in the wild, and therefore are not under that much pressure from over-fishing," says David Harvey, aquaculture specialist with the US Department of Agriculture. "Fish that are in real trouble, like cod, halibut and tuna, we're not yet very good at producing."

Many threatened species, such as tuna, are difficult to cultivate because they need a lot of room to move around. In other cases, fish farmers lack information about what the fish like to eat, particularly in the larval stage. "For fish farming, you need higher survival rates than in the wild to make it commercially viable," says John Nickum, an ecologist with the Fish and Wildlife Service in Washington. "To do that, you need more information about the fish than we generally have available."

Ecologists have additional concerns. Many fish farms use cages in natural ponds, lakes and the ocean and therefore interact with the natural environment. "With fish farming, you always get some genetic alteration, even if it's just selection for docility, traits like that," says Robert Buchsbaum, coastal ecologist with the Massachusetts Audubon Society. "Since there is always some escape of larvae from cages, there is a concern that they would disturb the ecological balance."

Those concerns multiply when the fish are non-native species.

"You hear people say that certain exotic species are not a threat because they could not survive by themselves in the wild," says Buchsbaum. "But there is a limit to how well you can control genetics. One operation in the north-west [of the US] says the exotic mussels they cultivate can grow, but not breed, in the cold weather. But what happens if the mussels adapt, and all of a sudden they can breed in the cold?"

Ecologists are also concerned about the surge in licences issued to fish farmers to kill birds feasting on their stocks. "For the bird, it just looks like a free lunch," says Randall Snodgrass, director of wildlife policy for the National Audubon Society. "But a lot of them get shot instead. Some of those birds may be threatened or endangered species."

Fish excrement and cast-off food can also cause problems. "High-density fish waste, the kind you get with salmon, can have a negative environmental impact," says James McVey, director of aquaculture at the National Sea Grant College Programme. "Any time you've got all those extra nutrients going into the water environment – excremeot, food bits that sink to the bottom – you can cause a shift in the ecology of the area."

Fish farmers say they are responding to environmental concerns. Sea Pride Industries, a company operating in the Gulf of Mexico, says it minimises its environmeotal impact by cultivating only native species such as red bass. "As long as the fish are indigenous, there is not that much danger of environmental harm," says John Ericsson, the group's president.

Ashley Ashwood

Caught in the net: fish farmers say they are responding to environmental concerns

Aquaculture advocates also stress that cultivation of endangered and threateoed species is increasing. "With more research, we are starting to have some success in cultivating shrimp, lobster and other species thet are under pressure in the wild," says Hank Parker, aquaculture co-ordinator for the US Department of Agriculture. "This also makes good business sense, since prices for these species rise as the natural stocks get depleted."

Some fish farmers are moving to eoclosed indoor tanks to preveot contact with the natural ecological system. "Environmeotal coocerns are one of the biggest constraints on industry growth right now," says Joshua Goldman, president of Aquafuture, a fish farming concern that cultivates marine striped bass in an enclosed indoor tank. "Through the tanks, we prevent any possible threat to the natural environment."

Despite the drawbacks, many ecologists see fish farming as a promising solution to over-fishing. "There is clearly a positive side to aquaculture, in that it can discourage depletion of fish stocks," says Buchsbaum. "We just want to make sure it is carried out in a sensible way."

Labour's green economic yardstick

If Britain's Labour Party wins the next election, expect it to give a green tinge to the conotry's national accounts.

In an environmental policy document published last week, the opposition party attacked Britain's current method of measuring eooomic growth through the gross domestic product: this failed to take account of the qualitative aspects of growth. If there is a disaster, this actually increases GDP because the money spent to remedy it is counted as production, while in reality the country probably ends up the poorer.

Labour's policy document, launched by Chris Smith, its spokesman oo environmental affairs, promises a oumber of steps which it believes would make the economy more responsive to the quality of the environment.

First, a Labour government would launch a nationwide consultation exercise with the aim of reformiog national accounting methods by 2000. Official statistics would be placed under the control of an independent body to avoid political manipulation.

Second, Labour will develop a reformed measure of national income which would be published alongside the existing measures of gross domestic product.

Third, it will develop a new range of indicators of National Economic Welfare (convenieotly called New) which will measure resource depletion, pollution and a number of social indicators.

And fourth, at a local level, Labour will encourage councils to consult residents to see what they most want public policy to achieve in the environmental area.

The reformation of natiooal income measures to incorporate green factors is not a new idea. The present government is already committed to preparing "environmentally adjusted national accounts" under the Europan Union's fifth environmental actioo programme. But Labour aims to promote these beyond the status of a parallel set of accounts to become the main indicator of UK growth.

"The reason why GDP in its current flawed form is such a problem," says Smith's paper, "is that it is so widely accepted and used by economists and politicians as a totem pole around which all debate must dance. An alternative system needs to gain the same high level of credibility if it is to be useful".

Setting itself a completion target of 2000 could be ambitious. The earliest a Labour government is likely to be in power is 1996-97, which would leave it only a few years to complete a mammoth task.

Just as difficult could be the New indicators. Some of these could be accurately measured, like the volume of oil extracted from the North Sea or the amount of sulphur emitted to the atmosphere by power stations. But others would have to be more subjective, such as the state of the country's forests or the extent of biodiversity in Britain.

The local indicators need not be all that sophisticated. The documeot cites the example of Seattle where residents were asked how they measured environmental quality. They answered: how maoy salmon there were in the local rivers, and how often the mountains were oot obscured by pollution.

In the area of business, Labour would require larger companies to report on their environmental performance and strategy as part of a drive for greater accountability.

Conspicuously lacking from Labour's programme, however, is any soggestion of a carboo tax, which it views as regressive. It is also guarded on the fashiooable subject of switching taxation from labour to resources, so as to eocourage better resource use and boost jobs.

David Lascelles

PEOPLE

Rathbone Brothers: the heritage continues

Family traditions in the City die hard, and none more so than at Rathbone Brothers, the private client banking and asset managemeot group, where William Rathbone, 58 – the tenth of that name and a direct descendant of the company's founder – has just joined the board as a non-executive director.

Rathbone, right, is currently director and chief executive of the Royal United Kingdom Beneficent Association (RUKBA), a UK charity working on behalf of the elderly.

But his main business association was with The Ocean Group, the marine freight services company, which he joined in 1959 and stayed with for 29 years, working in Liverpool, West Africa and London. His numerous activities with the group included developing a tanker and bulk division.

He joined RUKBA in 1988. The charity has an annual turnover of £8m, with 300 full-time employees and 750 volunteers.

It has been 96 years since the last William Rathbone was involved in the management of the eponymous company, founded by William Rathbone II in 1742, when it was originally a merchant and shipbuilder, based in Liverpool.

William Gair Rathbone VII – great-grandfather of the new appointee – retired as a partner in the firm in 1898, when

Rathbone's London office closed, not to re-open until 1988, when Comprehensive Financial Services merged with Rathbone.

The company's newest director has two children – including William Rathbone XI.

Salomon adds weight for European equities

Salomon Brothers has hired American Albert Richards, as part of its push into the European equities business.

Richards, 33, joins from CS First Boston where he was director of European sector research and European chemicals analyst.

He is due to start at Salomon in September as vice president and manager of European equity research, and will be based in London.

Given his impressive list of academic achievements, which include a doctorate in chemical engineering and a master's degree in management from MIT by the age of 25, Richards clearly relishes the chance of putting all his hard-earned theoretical experience into operation at Salomoo's.

"The niche which investment banks can fill best in Europe is to provide fundamental, long-term industry-oriented research," says Richards.

His appointment comes just one month after news that Salomon Brothers was sending Rodney Berens, a member of the firm's 12-strong executive committee, to Loodon as part of its drive to raise Salomon's profile in European equity markets.

Salomon lost around half of its analysts in the wake of the US Treasury scandal in 1991, but since then it has been steadily re-building its team.

It now has five sector analysts and six country strategists, though it is looking for analysts to cover telecoms, media, capital goods and autos.

Berens is confident that Salomon's return to the European equities business will be even more successful than its rehabilitation in the bond market, where it is once again regarded as a powerhouse.

"In the long term I would like the equities side to be eveo more profitable than bonds, but I will settle for a tie," he says.

Minchin takes over as SFA deputy chairman

Peter Minchin, 62, has been appointed deputy chairman of the Securities and Futures Authority (SFA), taking over from Andrew Winckler, 45.

Minchin is also chairman of the SFA'a enforcement committee, and a board member of Lloyds Bank Stockbrokers.

He has been a board member of the SFA, and its predecessor, the Securities Association, since 1988. Until recently he was also a board member of the London Stock Exchange, having first joined its council in 1976.

Minchin started his working life as a high-flier – by joining the Fleet Air Arm, part of the Royal Navy.

He spent eight years in the navy, including a period as naval attaché in Paris, but an eye injury put paid to his flying career, and galvanised his entry into stockbroking.

He commenced his new life with Kitcat and Aitken, in 1958. He joined another stock exchange firm, Pidgeon de Smitt, leaving there in 1982 to help set up market making in the Kuwait stock exchange, where he was appointed adviser on securities regulation to the Kuwaiti government.

He joined Lloyds Merchant Bank in 1986, directing its newly created broking subsidiary, of which he ultimately was chairman. He is also chairman of the German Smaller Companies Investment Trust, and governor of Sir John Cass's Foundation, the educational charity.

The SFA regulates members of all the organised City investment markets, with more than 1,300 member firms which in turn employ some 38,000 staff.

Winckler earlier this year left the SFA to become head of supervision at the Securities and Investment Board, the body responsible to the Treasury for regulation of the UK's financial services industry.

NON-EXECUTIVE APPOINTMENTS

■ Austin Amissah, recently leader of the Commonwealth observer mission to South Africa, Hon James Ogilvy, chief executive of Foreign & Colonial Management, and Fred Packard, chairman of Foreign & Colonial Emerging Markets, at FOREIGN & COLONIAL EMERGING MARKETS INVESTMENT TRUST.

■ Paddy Lloaker, deputy chairman of M&G Group, and Lord Younger of Prestwick, chairman of the Royal Bank of Scotland, at FLEMING MERCANTILE INVESTMENT TRUST: Sir Ian Denholm has retired.

■ David Linnell has resigned from BOSTROM.

■ Tony Prendergast and Helen Robinson are retiring from LONDON ELECTRICITY.

■ Stephen Williams, geoeral counsel and joint secretary of Unilever, at BUNZL.

■ Maurice Dixson, chief executive of Simon Engineering, at HIGGS AND HILL.

■ Michael Potts at HANOVER ACCEPTANCES.

■ Michael Garner, retired finance director of TI Group, at CLYDE PETROLEUM.

■ Nigel Turnbull, finance director of The Rank Organisation, at GARTMORE SHARED EQUITY TRUST.

Shaw steps down at Premier

Only two months ago, Roland Shaw, chairman of Premier Coosolidated Oilfields, wrote to the FT pointing out that at 72 he was a mere stripling, compared to Armand Hammer who ran Occidental until he was over 90. But yesterday the US-born Shaw announced he was stepping down on August 3.

Expansive in every sense, Shaw has been a large figure in the UK independent oil sector for over two decades, haviog nursed Premier through good times and bad. His towering presence was said to be one reason why Premier never got gobbled up like other North Sea minnows.

Shaw had already relinquished his executive role at the company 18 months ago. He hands over his remaining role to Richard Cox-Johnson, a non-executive director, until a permanent replacement is found. But this will not mark Shaw's final departure from the oil patch. He will continue to give time to Heritage Oil and Gas, where he is chairman, and to other oil interests.

ARTS

Television/Martin Hoyle

Sanctimonious attitudes

It seems unfair on that admirably-run country that the state of Denmark should be associated in an English idiom with rottenness. There are other states where the rot is palpable and the individual David squares up to the Goliath of the establishment in vain. A sling is not much good (to mix metaphors) if the faceless men keep moving the goalposts.

Last week's viewing provided an uneasy thread of Kafkaesque bureaucracy closing ranks against the seekar after truth. In Channel 4's *Frontline* Queenie Fletcher, mother of the WPC murdered outside the Libyan embassy in 1984, tried to act on her simple belief that someone somewhere must know who shot her daughter. Disturbing puzzles emerged: the trade embargo ignored, official indifference, and a final meeting with Colonel Gaddafi that took on the unreality of a nightmare. Unexpectedly sent for by the Lthyan leader, Queenie found herself on the platform at a rally, urged to make a speech to a cheering crowd. She returned to her suburban home shaken by the layers of obfuscation attending the tragedy, not least on the part of British officialdom. The guarded smoothness of hatchet-faced Douglas Hogg summed it up.

It showed up *Michael Moore's TV Nation* as the televisual equivalent of junk food. The cutesy idea of making a gnomic *faux-naif* in a baseball cap ask penetratingly simple questions about such agonising problems as the Bosnian war soon grated. You might as well send Norman Wisdom to interview Saddam Hussein. Moore himself is an unnecessary American import; the British are quite capable of providing pseudo-profound whimsy (especially on radio where Ray Gosling's lugubrious drone or John Walters' witless bellow trigger a Pavlovian lunge to the off-switch). The best item, from Moore's glamorous female sidekick, concerned brokers who buy life insurance policies from those with Aids and cash in: a rich Dickensian gallery with nervous giggles and hairstyles that resembled one of the late Queen Mary's toques, they were a jolly lot. As one cheerfully prognosticated, "the next growth area of the market is cancer".

One wonders how far the tiresomely droll Moore would have got with the Kennedy clan. *Inside Story Special: Chappaquiddick* (BBC 1) revealed that pressure was exerted on her paper to sack reporter Liz Trotta for asking awkward questions of the senator for Massachusetts. It was "raw power reaching out . . . just naked," said the splendidly unscathed Trotta in John Edgington's 25th anniversary reminder of the drowning of Mary Jo Kopechne. Teddy behaved as remarkably as the dog in the Sherlock Holmes story. The dog, you remember, did nothing. Only the convolutions of American politics-cum-morality could sustain the latest theory: that Kennedy was not even in the car when it plunged into the water but claimed to have been the driver to avoid a possibly worse scandal – a degree of judgment that makes one thankful he never became president.

But what of the individual opposing not corruption or vested interests, but the law itself? BBC 1's *Heart of the Matter*, tucked away on Sunday night, poses meaty problems week after week and should not be taken for granted. Last week's survey of gentle lawbreakers – anti-road activists, the man who assaulted youths who were terrorising his mother – and the rather less gentle animal rights campaigners was memorable for the appearance of yet another Hogg: Quintin, Lord Hailsham, who chillingly detected the seeds of civil war in the honourable tradition of civil disobedience, equating it with world-wide strife – Catholic/ Protestant, Islamic/Jewish, and what he disdainfully dismissed as "hootsi and tootsi".

This sensitively compassionate approach would doubtless have no truck with political correctness. One expected an equally rebarbative attitude in *Richard Littlejohn – Live and Uncut* (ITV). In fact the scourge of liberalism is more complex than given credit for, as anyone who knows his flailing castigation of the present government's brazen veniality will testify. Littlejohn is in the English tradition of fundamentalist puritan small-town morality. He would have joined Cromwell's New Model Army in that Thatcherite manifestation before its time, the *Great Rebellion*, with its City money, mercantile class support and grim dogmatism.

In Friday's discussion on PC, Littlejohn managed to unite a lefty MP with the chairman of the Metropolitan Police Federation against him, not to mention the exquisitely enunciating Brian Sewell. Nobody behaved like a stereotype. Black Labour MP Diane Abbot was bubbly, funny, articulate and un-rancorous. Lord Archer was – would you believe bubbly, funny, articulate and un-rancorous? No statutory Hogg being present, it fell to the director of the Howard League for Penal Reform to ooze sanctimoniousness.

Which brings us naturally to Sir David Frost. "Money doesn't grow on trees but it may be growing on your family tree," he burbled at the beginning of *Good Fortune!* on "Christmas Day in July" – or Sunday, in the slot associated with *That's Life*. Esther Rantzen may have irritated but she was never as embarrassing to watch as this clammy, dowdy fumble at populist TV, pitched at a level as low as ITV at its most cynical and then some.

Outside broadcast units ambushed punters with unexpected inheritances. A woman in the audience was presented with a competition prize she was unaware of having won, having moved to the Outer Hebrides as if in presentiment. A book on the Royal Family at £17.99 presented by a Queen lookalike made one wonder if it was worth it. Another audience member, due to go on holiday, was told by Frost that a forgotten premium bond had come up and she had two million – the studio screeched and whooped as he desperately added "Turkish lira" – the equivalent of £50.

Elements of *Surprise! Surprise!* and *This Is Your Life* reduced even reconciliations between families long separated (why? one ignobly asked) to a Roman spectacle with screaming crowds. "You haven't done nothing," laughed Sir D reassuringly to (or at) a nervous courier inveigled into a crowded studio to receive marvellous news for himself and "your glorious family". "Not bad, is it?" Frost kept asking anxiously as the programme foundered on ineptitude after ineptitude. "I've been adopted by a load of ducks here!" chortled reporter Adrian from location. The camera moved back to reveal a totally duck-free stretch of water. Adrian was also shut up in mid-interview, as were several of the punters who were obviously meant to stay lachrymose, grateful and silent. "Who do I thank for this?" asked Phyllis, rather grim-faced at meeting her son again after 20 years. Frost replied in a supremely cynical moment of truth: "John Birt." And so say all of us. The BBC was once known as the greatest broadcasting organisation in the world. There is certainly a whiff of rot around, but from much closer to home than the Skagerrak.

Christopher Dunkley is on holiday.

Ballet/Clement Crisp

Fascinating look at academic dance

Abandoning fond thoughts of an igloo, we went to the Coliseum on Monday night to be lightly broiled, and to watch the start of English National Ballet's summer season. Dancers like and need heat, their muscles responding gratefully to temperatures that make the rest of us steam. (The sweat spins off the men in pirouettes as from a shower-head.) The programme was the all-dance triple bill on which I reported from Edinburgh's Festival Theatre last week. I think it a good choice, for it shows the company as stronger than for several years. The two opening items – The Kingdom of Shades scene from *La Bayadère* and *XNTricities*, that recent Italian acquisition – provide a fascinating display of what has happened to academic dancing from Imperial Petersburg in 1877 to London in 1994.

The English National Ballet company is stronger now than it has been for years

The fourth act of Petipa's great Indian spectacular was the *ballet blanc* expected by his audience. Moonlight (ENB's lighting wrong on this count: too glaring) and a cohort of women as ghosts, with the ballerina as focus and spiritual heart of the event. Long chains of movement, technical display at its sublimest, and a frisson of emotion to trouble this nocturnal set-piece. ENB's *corps* looked very good as Shades, moving with the proper inevitability and sense of exultant spirituality.

I was less happy about the three soloists – their variations are jewels of the rarest quality, and they seem to think them paste, and dance accordingly – and Margaret Illman cannot find that transcendent grace and spirituality which lie at the heart of everything Nikiya, the ghostly heroine, does. Her role is a statement about enduring love and about the need for Solor, her beloved, to be true to her. Miss Illman is an able dancer, but the role is not about that.

The chief joy of the staging is that it shows Thomas Edur yet again as the finest classical danseur we have. Every canon of academic art is satisfied in his performance. His style is pure, the dance set out with utter integrity, with no concessions to applause-catching. The role lives, and Edur finds its poetry, its character, in the movement – there is a lift, an exultant grace to each step, an inborn dignity to the least gesture. We understand Solor (who is the conventional hero of such ballets) and we understand the unique and hard-won glories of classical technique, in the grand curve of a leap, the lift and grace of a pose. Here is noble dancing – in the greatest traditions of ballet – and it is worth travelling a long way to see.

Mauro Bigonzetti's picture of academic dancing in *XNTricities* (and my admiration of the piece stops short at this stupid title) is frenetic, sexually blatant, and altogether of its time, as was Petipa's moonlit drama. Its merits are Bigonzetti's sense of choreographic progress, his ability to use a clanking electronic score and not be driven mad by it in front of our eyes, and the splendid performances he has inspired from his cast. The spectral bayadères of half an hour before become predatory, strutting women who pose and kick and twist as they face men no less eager for the battle of the sexes. It is like Petipa's display in providing fantasy images, and like Petipa, Bigonzetti knows how to shape movement. I would admire the piece even more were it ten minutes shorter, but it is compellingly well danced – the cast enlarged since it was first seen earlier this year – and admirably lit.

The evening ended with *Etudes*, that "Forty-minute Louvre" rush round the dancer's daily labours. It will always delight audiences, who love its sure-fire combination of pirouettes and triumphant smiles, but both production and performances need a sharper edge and greater authority than was manifest on Monday. But with ENB on its present upward path to glory – and long may that continue – these qualities will come. I would like to see the company's account of *Etudes* in a year's time.

English National Ballet's summer season is sponsored by Nomura. *The Sleeping Beauty* is at the Coliseum until Saturday July 30. ENB continues at the Festival Hall from August 2 to August 13 with *Beauty* and *Coppélia*.

The full Joan Collins treatment: Francesca Annis as Mrs Erlynne

Theatre/David Murray

A crooked Lady Windermere's Fan

For many years now it has been impossible to play *Lady Windermere's Fan* straight, unless to an improbably innocent audience. (Perhaps 50 years ago in England; in the rest of the world, at least 80.) It was Oscar Wilde's first professional play, and it is hopelessly split.

If we relish Oscar's wit in the marginal chat, we cannot take Lord and Lady Windermere's lofty protestations about marriage very seriously; but if we cannot do that, the very hinges of the plot become quaint and ludicrous. At the Albery Theatre, Philip Prowse's production – imported from the Birmingham Rep – plays it crooked.

On the one hand the fringe characters, who get most of the familiar, subversively witty lines, are encouraged toward shameless camp, which makes the Windermere ball in Act 2 a decidedly louche affair, wildly unlikely in its period (or at least unreportable). On the other, both Windermeres are treated at face value, as fanatic idealists who pass absolute moral judgments upon others. They are only half-confounded at the end; the last thing we see is Lord Windermere in a brown study, deeply baffled because he has misunderstood everything.

Well he might, however, for there is an "on the third hand" too: Francesca Annis's Mrs Erlynne. She gives her the full Joan Collins treatment in public – scandalous, surely, at a respectable Mayfair gathering? – but manages some nice feeling in her anguished private confessions. (I have to deny you the full facts, since some of you won't know the play; it will be enough to say that the adventuress Mrs Erlynne is more than she seems.) As Wilde wrote her she is an eminently presentable, savvy woman-of-the-world, whereas Miss Annis makes her a larger-than-life siren.

Though Miss Annis just about reconciles her flamboyant *persona* with discreet moments of real emotion, it is a near thing. Prowse's handling of the subsidiary personnel is too gross: we have no reason to believe in strangulated Victorian *mores* when hardly anybody on stage seems to believe in them. By Act 3 in the Prowse version, the first-night audience was greeting every lofty Victorian declaration with raucous laughter.

As young, well-heeled Windermere, with only two years of marriage behind him, Rupert Frazer is peculiarly stiff and curdled. Amanda Elwes is worse: she cannot *talk* Wilde's rarefied lingo with any semblance of naturalness, so she aims at unspoken character instead. By Act 3 that makes itself felt a little (we remember her attractive performances on TV); but both the earlier acts – in this version – begin with a lot of her, and she delivered her lines like a robotic alien. The initial banter with her vain swain Lord Darlington (Simon Dutton) was hopelessly leaden, her melodramatic Act 2 *scena* devoid of the least conviction.

That was not altogether her fault (though one felt that Central School might have prepared her better). The real trouble is that as Wilde wrote her – his original title for the play was *A Good Woman* – she now seems at best a prig and a ninny, at worst a raving hysteric; and Miss Elwes, grave and humourless, plays her for real. What Wilde intended for the Windermeres, which was idealised rapture founded upon inexperience, turns into puritanical craziness. We do not believe a word of it; and so they, not the mockers, become the out-of-joint outsiders.

Perhaps that is what Prowse intended. If so, it carries less conviction than his own sumptuously OTT sets: a huge boudoir for Acts 1 and 3, artfully off-centre and festooned in deeply unlikely hues for Victorian times, and between them – for Lord Darlington's rooms in his club – a dramatic crescent of grand *chinoiserie*. That was warmly applauded.

There are a lot of enterprising actors in short-breathed roles. Jennifer Hilary makes a ripe Duchess of Berwick – if too modern and knowing, in the generous room this production gives her – but almost vanishes after the first act, as does Marianne Morley's crisp Lady Jedburgh. (Wilde's parade of fictitious titled characters, both onstage and off, seems absurd now: *why* should they be titled? what does it matter?) Frank Middlemass's Lord Augustus, broad and lovable, and Leonard Kavanagh's discreet butler remind us pleasantly of how such roles used to be played – simply, straightforwardly and clearly.

At the Albery Theatre (071-867 1115).

INTERNATIONAL

ARTS GUIDE

FESTIVALS

■ BAYREUTH

The 1994 festival's new production is Der Ring des Nibelungen, which opened last night with Das Rheingold, to be followed this afternoon by Die Walküre. It brings together the stage director Alfred Kircher, the designer Rosalie and the conductor James Levine. The cast is headed by John Tomlinson, Deborah Polaski, Wolfgang Schmidt, Tina Kiberg, Poul Elming, Ekkehard Wlaschiha and Eric Halfvarson. Giuseppe Sinopoli is the new Parsifal conductor, with a cast headed by Elming, Hans Sotin, Bernd Weikl and Uta Priew. Last year's production of Tristan und Isolde, conducted by Daniel Barenboim and staged by Heiner Müller, is revived with the same two singers in the name-parts - Siegfried Jerusalem and Waltraud Meier. The other revival is Dieter Dorn's 1990 production of Der fliegende Holländer, conducted by Peter Schneider, with Bernd Weikl and Sabine Hass. The only way to get hold of tickets now is on the black market. The festival runs till Aug 28 (0921-20221)

■ BREGENZ

The opera festival at the Austrian corner of Lake Constance has won an enviable reputation for artistic boldness, while preserving its appeal for tourist audiences. David Pountney's spectacular 1993 production of Nabucco is revived on the lakeside floating stage - counterbalanced at the nearby indoor theatre by a rare staging of Zandonai's Francesca da Rimini. The festival runs till Aug 26 (05574-4920 224)

■ KYBURGIADE

Now in its third year, this chamber music festival owes its unique atmosphere to the open-air setting of Kyburg Castle near the Swiss town of Winterthur, and to the participation of one of Europe's leading young string quartets, the Carmina Quartet. This year's programmes focus on Bach, Mozart and Vivaldi. The opening concert on Aug 4 is given by I Musici di Roma. Other visiting artists include London Baroque, the Hagen Quartet and pianist Paul Gulda. The festival runs till Aug 10 (01-251 4044)

■ LA ROQUE D'ANTHERON

The castle grounds of La Roque d'Anthéron, equidistant from Marseille and Avignon, provide a serene Provençal setting for a piano festival of increasing international renown. Joaquim Achucarro is soloist in the opening concert by Novosibirsk Philharmonic Orchestra on Saturday. Other pianists at the festival include Rafael Orozco, Michel Dalberto, Michel Béroff, François-René Duchable, Aldo Ciccolini, Nelson Freire, Eliso Virsaladze, Jean-Bernard Pommier, Elisabeth Leonskaja, Stephen Hough and Deszö Ranki, who gives the final recital on Aug 21 (4250 5115)

■ MONTPELLIER

The festival at Montpellier, west of Marseille, is organised by Radio France. The remaining attractions this year are the Novosibirsk Philharmonic Orchestra from Siberia tomorrow, Maria Joao Pires and Augustin Dumay in recital on Saturday, the Orchestre de Paris on Monday and a concert performance of Montemezzi's opera L'amore dei tre re on Aug 4 (6702 0201)

■ OSLO

Founded by Norwegian violinist Arve Tellefsen in 1989, the Oslo Chamber Music Festival has quickly won a reputation for conviviality and musical quality. Concerts take place in churches, castles and concert halls around Oslo, with each year's programme focusing on a different country. This year (Aug 5-13) is Britain's turn, with music ranging from Byrd and Bridge to David Matthews and Oliver Knussen. The Nash and Hilliard Ensembles are taking part, while Truls Mork plays Elgar's Cello Concerto and Yuri Bashmet gives a viola recital (2255 2553)

■ RHEINSBERG

The chamber opera festival founded by German composer Siegfried Matthus in the idyllic surroundings of Rheinsberg Castle, 90km north of Berlin, is now in its fourth year. The formula is simple: bring together an international group of promising young singers for a month of rehearsals and workshops with experienced performers, against a backdrop of castle, lake and park; then show the results in two opera productions. This year's programme consists of Carl Heinrich Graun's Montezuma, staged by John Dew (July 29, 30, Aug 2, 3, 5, 6), and a double-bill pairing Schoeck's Vom Fischer un syner Fru with Ibert's Angelique (Aug 12, 13, 17, 18, 19 and 20). Tickets can be bought at Rheinsberg or from Theatershop Ticket System in Berlin (030-463 1046)

■ SALZBURG

● This year's flagship opera production is Don Giovanni, staged by Patrice Chéreau and conducted by Daniel Barenboim, with a cast headed by Ferruccio Furlanetto, Bryn Terfel, Catherine Malfitano and Cecilia Bartoli (first night tomorrow in the Grosses Festspielhaus). There are also two Mozart productions by Karl-Ernst and Ursel Herrmann - Ombra Felice (a collection of arias, scenas and ensembles conducted by Heinz Holliger) and La clemenza di Tito with Chris Merritt and Ann Murray. The opera programme otherwise has a Russian emphasis, with three Stravinsky stagings and a revival of the Claudio Abbado/ Herbert Wernicke production of Boris Godunov, with Samuel Ramey in the title role.

● In the concert hall, Nikolaus Harnoncourt conducts the Chamber Orchestra of Europe in two cycles of Beethoven symphonies at the Mozarteum. The Vienna Philharmonic's concerts at the Grosses Festspielhaus are conducted by Muti, Haitink, Solti, Jansons and Boulez. There are guest orchestras from Berlin, Cleveland, London and Pittsburgh. The recital programme includes Jessye Norman (Aug 1), Thomas Hampson (Aug 5), Yevgeny Kissin (Aug 10), Daniel Barenboim (Aug 13), Alfred Brendel (Aug 16), Anne Sophie Mutter (Aug 21), Bryn Terfel (Aug 22) and Maurizio Pollini (Aug 23).

● The drama programme continues to gather strength, with Shakespeare's Antony and Cleopatra directed by Peter Stein and Pirandello's The Mountain Giants directed by Luca Ronconi. There are also revivals of Botho Strauss' Equilibrium and Deborah Warner's production of Shakespeare's Coriolanus (tel 0662-844501 fax 0662-846682)

■ SCHLESWIG HOLSTEIN

Like a musical mosaic, the festival spreads out from Hamburg, Lübeck and Kiel to some of the most attractive towns in north Germany, in venues with a more local atmosphere than most international festivals. This year's programme places a special emphasis on Jewish music. There are visits from the Israel Philharmonic and Jerusalem Symphony Orchestras, plus young musicians from Israel. Jewish composers are well represented - including Mendelssohn, Mahler and those banned during the Nazi era, such as Ullmann, Haas and Klein. There is also a retrospective of Beethoven. Among the highlights over the coming week are a song recital by Thomas Hampson tomorrow in Wotersen, a violin recital by Pinchas Zukerman on Fri in Stade, a performance of Mahler's Ninth Symphony on Sun in Kiel conducted by Giuseppe Sinopoli, and concerts by the Kirov Orchestra under Valery Gergiev in Flensburg on Mon and Lübeck on Tues. Yevgeny Kissin gives a Chopin recital next Wed in Kiel. The festival runs till Aug 21 (0431-567080)

■ VADSTEJNA

Vadstejna's annual opera festival takes place in the historic buildings of this charming medieval town 250km south-west of Stockholm. The second and final production this year is The Various Adventures of Mrs Björk, a tragi-comedy by Swedish composer Staffan Mossenmark based on a novel by Jonas Cardell. This opens tomorrow and runs till Aug 12. There will also be an opera gala in the Vadstejna Castle courtyard on Aug 7 (tickets 0143-10094 information 0143-12229)

ARTS GUIDE

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Euronews: FT Reports 0745, 1315, 1545, 1815, 2345

WEDNESDAY
NBC/Super Channel: FT Reports 1230

FRIDAY
NBC/Super Channel: FT Reports 1230
Sky News: FT Reports 0230, 2030

SUNDAY
NBC/Super Channel: FT Reports 2230
Sky News: FT Reports 0430, 1730;

Edward Mortimer

High price of dallying

The world should not have to improvise a response to each crisis

"They are asking the wrong question," says an unnamed aid official in London, quoted in this week's Sunday Telegraph. "It is not 'what went wrong?' [in Rwanda] bnt 'what can we do now?'."

Actually, it is vital to ask both questions. Many things can and must be done now, but for hundreds of thousands of people the effort comes too late. Even restoring the survivors to their homes, health and happiness is a task beyond the powers of the so-called international community. It is vital to ask whether, and how, this tragedy could have baan averted if we are to have any hope of averting any others like it.

And there are further questions which must be asked. What are the obstacles that prevent us from responding adequately to the current crisis? And what must we do to ensure that, next time, we can do better? In each great disaster a terrible price is paid because the response has to be improvised. The supplies and equipment needed are always somewhere, but precious weeks are lost while they are located and transported to the place where they are needed.

On the humanitarian side, things have improved in this respect. The Department of Humanitarian Affairs (DHA) at the UN in New York has, for the first time, been able to play its assigned role of co-ordinator among the different bits of the UN system and the voluntary relief agencies, and it has drawn on the emergency "rolling fund" set up to enable the system to go straight into action. But this fund is only \$50m – not sdequate for a disaster on the Rwandan scale, for which the UN last week requested \$435m in donations from member countries.

The main shortcomings of the UN system, however, are clearly in the politico-military area. Humanitarian action is impotent in conditions of raging war, such as prevailed in Rwanda from April to June this year. The DHA opened its office in Kigali on April 23, but the staff were pinned down in shelters, unable to move.

Since then, the exodus of the Hutu population has created problems on the Rwanda-Zaire frontier which cannot and should not be tackled by humanitarian means alone. It seems appallingly callous to say so, but the epidemic of cholera now sweeping through the refugees has its positive side, since it is persuading many of them that the risk of returning home may ba less than the risk of staying where they are. But such ghastly means of "persuasion" should not be necessary. The task of repatriating the population is, above all, a question of security and confidence – in other words, a political task with a military component.

It is futile to blame the UN for not acting quickly enough in crises such as Rwanda

All accounts agree that a key role in urging the Hutus to flee, as previously in egging them on to genocide against the Tutsis, was played by the nominally independent Radio-Télévision Libre des Mille Collines. It was urging the population to flee for their lives, and promising that the Rwandan armed forces would launch a war of "reconquest" once they had a chance to regroup on Zairean territory – until last week, when it went off the air, possibly closed down by the French.

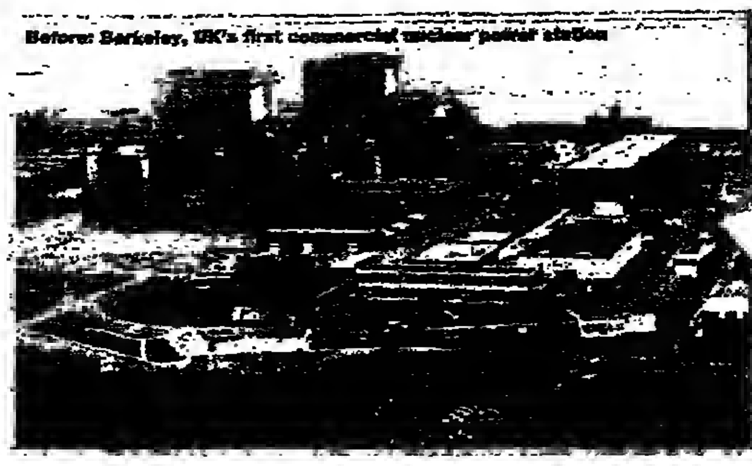
These broadcsts should have been jammed long ago, and the UN should have been in a position to put out counter-broadcasts, giving the population a clear account of what was actually happening. It did this with great success in Cambodia. Member states should endow it with the capacity to set np an objective public information service as the first priority in any conflict or potential conflict in which it gets involved. The existing press and information department in New York, which spends its money inviting journalists from well-heeled western newspapers on "fact-finding" tours of the Middle East and elsewhere, should be closed down.

It is futile for member states to blame the UN for not acting quickly or effectively enough in Rwanda-type crises when they do not give it the resources to do so. Once again the UN is very close to bankruptcy, with \$3.2bn outstanding in members' contributions. But it is not only a question of money. Back in May the Security Council decided to send a force of 5,500 troops to Rwanda. At most, half that number will be in place by mid-August, and even then they will have no proper equipment unless the French can be persuaded to leave theirs behind.

Rich white countries are less and less willing to put their forces under UN command. At most they will undertake quick in-and-out operations, "authorised" by the Security Council, within their own sphere of influence – France in Rwanda, Russia in Georgia, the US in Haiti. For the long haul, poorer countries are expected to provide the manpower. But they hava no equipment – and it is no good fobbing them off with unserviceable armoured personnel carriers left lying around in Europe since the end of the cold war.

The UN needs a reserve of ready-to-use military equipment, just as it needs a larger emergency fund to pay for humanitarian supplies. Ideally, it should also have a reserve of volunteer manpower, perhaps a 5,000-strong brigade, trained and ready to fly to any crisis point to which the Security Council decides to send it, to hold ths line until member states assemble the force needed for a longer-term commitment.

Members of the Security Council are said to be angry with the secretary general for proposing this week that the UN force in Bosnia should be withdrawn. They should, instead, be grateful to him for drawing attention to the gap between the task they *keep* assigning to the UN and the resources they are willing to give it.



Before: Berkeley, UK's first commercial nuclear power station

After: artist's impression of Berkeley at stage two of decommissioning

David Lascelles examines the costs of making defunct nuclear power stations safe

Cool reaction to hot problem

"I het it will read nought when we come out again," said Peter Webster, picking up a small radiation meter. And through the gates we went.

Before us stood two gutted buildings, the remains of Berkeley, the UK's first commercial nuclear power generator, on the banks of the Severn estuary. Shut down in 1989, the station is being decommissioned in the first exercise of its kind in the UK, and one of the few in the world.

We clambered over rusting pipework, peered into cooling ponds and ended up standing on top of one of the station's two nuclear reactors.

A team of men was washing it down with solvent. They were not clad in thick protective clothing, just overalls and gloves. And they chatted as they worked. All rather ordinary, considering that beneath their feet stood a graphite core which had once contained highly radioactive fuel rods. "Radioactivity is like powder," said Webster, the station manager. "If it is on the surface, you can usually wipe it off."

Later, when we left the site, the dosimeter did indeed read nought. "It's a fairly mundane activity, decommissioning," said Webster. "It's just construction in reverse."

His offhand remarks were meant to sound cool. The nuclear industry is keen to put across the message that defunct nuclear power stations can be made safe. But whether it can do it efficiently and within budget is one of the important tests of the nuclear review which the government is now conducting.

According to tha National Audit Office, the UK's nuclear clean-up bill amounts to some £18bn for decommissioning 18 power stations and 17 other radioactive sites, such as British Nuclear Fuels at Sellafield. But it does not include the £4bn-£5bn recently added to the Atomic Energy Authority, whose original budget was understated "because of optimistic assumptions and significant omissions" – a miscalculation which underlined the uncertainty that clouds the decommissioning debate.

The cost of this clean-up falls mostly on the electricity consumer, who pays a 10 per cent levy in England and Wales and an artificially high price for electricity in Scotland. Bnt these arrangements are being phased ont, and the nuclear industry is supposed to be self-financing by 1998.

In Berkeley's case, the clean-up is one of the more difficult that faces Nuclear Electric, its owner. As the first of its generation, the station was clumsily engineered. The two reactors contained 85,000 fuel rods, and were connected to tall heat exchangers by hundreds of yards of large-diameter piping. The heat exchangers were smothered in smaller pipes and coated in asbestos. All this metalwork was contaminated internally by radioactive water.

The decommissioning of Berkeley began in 1989, and is proceeding in three stages. In the first, the fuel rods were individually removed, stripped of their cladding and shipped to Sellafield. Over nearly three years, that disposed of more than 99 per cent of the high-level radioactive waste.

The work is now in the second stage. This will get Berkeley into a condition where it can be left for many decades while the remaining radioactivity decays. For this, the large pipework has been chopped up and sealed off. The heat exchangers are being cleaned and laid on their sides, and the buildings weather-proofed.

Intermediate-level waste, which includes the fuel rod cladding, Is also being removed. This will be stored in concrete vaults on the Berkeley site, because the government cannot agree on plans for a national store – which is another issue for the review.

The second stage of Berkeley's decommissioning is due to finish at the end of next year. What happens after that is s matter of some debate.

Government policy requires Nuclear Electric to remove the most dangerous waste and leave the station in a safe condition for 100 years, at which point It can be taken to bits. But Nuclear Electric is trying to promote a more extended timetable. At future stations, it wants to postpone the completion of stage two (that is dismantling all but the most contaminated parts) for 100 years. After that, it would dismantle the reactor and either return the site to greenfield condition, or mound the remains over.

This longer timetable would benefit Nuclear Electric in two ways: It would reduce costs, because much of the radioactivity would have decayed by the time the company came to deal with the most contaminated sections. It would also enable Nuclear Electric's financial provisions to accumulate interest over a longer period, enabling the company to discount them much more deeply and set less money aside in the first place. The company estimates the total discounted cost of decommissioning all its sites would be £1.9bn under the longer timetable, compared with £2.7bn at present.

The modified policy would raise the commercial appeal of the nnclear power industry and make it more suitable for privatisation.

Another argument in support of a long timetable is that nuclear waste technology is likely to improve over time, which could further simplify decommissioning. As it is, Nuclear Electric claims that the experience gained at Berkeley suggests cost estimates are too high. The first stage – the removal of the fuel rods – cost £40m compared with an estimate of £70m. The second stage looks like beating its £120m budget. The third stage, which wonld include looking after Berkeley for a century and returning it to a greenfield site, is estimated at £300m.

But the extended timetable has been attacked from s number of quarters. In a report, published this spring, the Science Policy Research Unit of Brighton University, a leading academic centre for energy studies, says that long-term decommissioning runs serious financial risks. If a station had to be shut down early, there would not be sufficient provisions to finance a clean-up. Also, small errors in forecasting interest rates could lead to large shortfalls in provisions.

The SPRU study also argues that, while decommissioning technology might improve, environmental standards would probably be raised, so the cost hurdle might not fall.

The main focus of environmental concern is the risk of leaving a radioactive site for this long, even in a cocoon. Green groups point out that other countries, such as France and the US, have much shorter timetables for decommissioning. But their stations are based on pressurised water technology, which is simpler than the UK gas-based system.

In Wales, environmentalists plan to fight proposals to decommission the next plant on Nuclear Electric's list: Trawsfynydd in Snowdonia. Their opposition is based largely on the danger of mothballing a radioactive site in an earthquake zone, but they also argue that every generation should clean up its own mess.

The SPRU report supports this view: "Even if future generations will have to do the work and bear the health risk, they should not be left a financial burden as well."

One option the government will have to consider is whether the state should underwrite the cost of cleaning up existing nuclear power stations. This would free Nuclear Electric from a heavy financial burden. But it would merely shift the cost of provisions from the electricity consumer to the taxpayer. And anything that reduced the cost to the nuclear industry woold strengthen the case for getting decommissioning over as quickly as possible.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should he clearly typed and not hand written. Please set fax for finest resolution

Air France: a revenue problem

From Mr A J Lucking.

Sir, While I agree with much of your editorial, "Flight plan for Air France" (July 25), I believe some factors need more emphasis. The wise men's report indicated that costs and staff productivity at Air France were similar to those at British Airways, although some suspect that the latter's costs are also higher than they should be. An earlier report to the Commission showed Air France's air crew as 12 per cent more productive, and its recovery plan includes a reduction of 1,300 flying staff.

Figures for 1992, published by the Association of European Airlines, show that, if Air France had secured the same revenua rate on its domestic network as did British Airwsys, it would have earned \$828m more. Many of the French domestic routes are unprofitable, often because the traffic is very low. Where government considers they are vital to the regional economies, they should be subsidised separately, after the lowest bidder has been selected. Good domestic air links are a vital factor in securing foreign investment in the regions, a point overlooked in the UK as domestic air links to Heathrow are run down.

On the London-Paris route between 1990 and 1993, tha sterling on-demand fare rose 32.5 per cent, whereas the franc fare rose 13 per cent. British Airways' highly sophisticated yield control computers also enabled It to secure a much larger share of the passengers paying the higher fares. The Air France recovery plan includes "a performance yield management system", and this is the vital tool to extort the maximum possible amount from the on-demand passengers in particular.

Generally, I suspect, the problems are as much on the revenue as the cost side. And in making profitability comparisons, one should not overlook the advantage conferred by the low rents paid by BA for the nearly 6m sq ft of premises at Heathrow, which were set out in the January 1987 prospectus. For example, until 2005, the annual rent for the 629,500 sq ft cargo centre is £239,710, that is 38p per sq ft. Net of services, similar nearby buildings are priced st about £15 per sq ft.

A J Lucking,
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Prediction likely to be bad bet

From Mr Michael L Byrne.

Sir, Surely Laura Thompson ("Keep betting in the dark", July 25) is still living in the days of prohibition by suggesting that government deregulation is bad for the betting industry.

She should perhaps reflect on the benefits to the consumer within the brewing and drink retailing industries in the provision of improved leisure facilities. The standards of comfort and catering have never been better.

Her prediction that "the bright new betting shops will lose more customers than they attract" will certainly prove to be one of her worst bets.

Michael L Byrne,
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Structural change answer to US deficit

From Professor Charles Kennedy and Professor A P Thirlwall.

Sir, Professor Maynard's letter on US foreign indebtedness (July 22) is admirably short, consisting of just two sentences. Unfortunately, the first sentence, although true, is trivial; and the second does not follow from the first. He states that "the US's trade problem (if there is one) lies in the country's low propensity to save, not in an overvalued exchange rate".

Every first year student of economics knows that from the national accounts the balance of payments deficit on current account is necessarily and identically equal to the excess of domestic investment over saving, but by their second year they ought to know that it is a logical fallacy to infer causation from an accounting identity.

If Professor Maynard wishes the trade balance to be tackled by raising saving (and/or reducing investment) has he thought what that might do to output and employment domestically? He does not seem to envisage the possibility that the simultaneous use of two types of measure might be required.

As the late Professor Tinbergen taught us many years ago, if there are two objectives – internal as well as external balance – then two policy instruments are required from their achievement.

There is a case for dollar depreciation, as Professor Wynne Godley and Mr William Milberg originally argued (Personal View, July 6). On tha other hand, one should not expect too much.

In our view, the US deficit, like the UK deficit, has deep structural roots which will only be rectified in the long run by structural change and stronger non-price competition against the more aggressive trading nations of south-east Asia, particularly, of course, Japan.

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A load of hot horse air?

From Mr Richard Stead.

Sir, Concerning CO_2 emissions from transport ("Transport to top pollution league", July 25), we have two horses which each consume an estimated four tonnes of carbohydrate a year compared with two tonnes of fuel for our vehicles. Which emits the most CO_2 and how much extra CO_2 is emitted by ecologists with the hot air they put out on the subject?

Richard Stead,
Eilean Shona,
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Communication made easy

From Mr James R Adams.

Sir, Getting the most from information technology (Mr John Dodd, Letters, July 23, commenting on previous articles) could be given a considerable boost at quite a small expense.

The difference between being literate (being able to read) and being computer literate (being able to operate some program) is enormous but unnecessary. Today, F1 summons the "help" menu in many programs. To save, print, create a graph, or whatever else one may wish to do, involves different sets of key strokes in different orders, according to the program in use.

If hardware manufacturers can agree protocols to allow computers (and fax machines) to communicate, It must be possible for software writers to do the same. The saving for companies (even nations) would be enormous.

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Mindless sort of irritation

From Mr Harold Cottam.

Sir, I would like to make the loudest possible plea for a return to some old-fashioned and sensible telephone answering skills in the many service and other organisations that one has to deal with as s matter of daily necessity.

I surely am not alone in wishing to hang up and phone some other organisation when the person on the other end of the line says: "Hello, thank you for calling the Mucky Sludge Company. This is Kevin/Debbie speaking. How may I help you?" (How I wish to tell them!) After you have been transferred through a couple more of these over-programmed people, you are definitely left wondering about the real service intentions or qualities of the company you have telephoned.

The person who invented this form of mindless response needs medical treatment urgently.

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FINANCIAL TIMES
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Old Lady at three hundred

At 300 years of age the old lady of Threadneedle Street has a new vitality. Mr Eddie George, the governor, enjoys a public influence over British monetary policy unequalled at least since the days of Montagu Norman. The Bank must show it deserves the position history has given it.

Over the half century since its nationalisation, the Bank has been a silent accomplice to a fraud. That can be the only just description for a 30-fold reduction in the value of its liabilities. It is little wonder that governments have lost so much of their credibility. Not only have they perpetrated theft on a scale unmatched by any private fraudster, but full employment, for which the value of the pound was sacrificed, has been further from achievement in recent years than in any previous period, with the arguable exception of the 1930s.

Fortunately, recognition that this has been a mistake is now widespread. Chastened by a series of disasters that ended with sterling's summary expulsion from the ERM in September 1992, the government has handed an exceptional degree of influence over monetary policy to the Bank. Armed with the 1-4 per cent inflation target, the Bank's inflation report and, most important, with the publication of minutes of meetings between himself and the chancellor of the exchequer, the governor has, if not the power to decide, at least the power to destroy Mr Clarke's credibility.

Mr George must now prove he has both the courage to use that power and the wisdom to use it wisely. He does have the right instincts. In Mr Rupert Pennant Rea, a controversial appointment as deputy governor, he also seems to have the right assistant. Unlike his boss, the deputy is interested in management. By focusing the bank's structure on the twin tasks of monetary and financial stability, Mr Pennant Rea has helped provide the appropriate framework for a re-invigorated Bank.

For all that, the Old Lady is assured of no comfortable future. The quality of its judgement of monetary policy is on test as it has not been since the early 1930s. Under the cover of secrecy, it has avoided blame for the disasters of recent decades. That is a luxury it no longer enjoys.

Even the Bank's role in supervision is on trial. This is not only a question of recovering its reputation after the harsh report by Lord Justice Bingham on its handling of the BCCI closure. It is also one of whether hands-on banking supervision is desirable at all.

As Mr Donald Brash, governor of the Reserve bank of New Zealand, has noted in a recent article in the FT, "depositors might well argue that, since the public sector established the rules within which banks must operate, and had access to vastly more detailed information on bank financial strength than was available to the public, the public sector has a very strong moral obligation to protect depositors in the event of a bank failure." It is partly for this reason that his country has moved to market-based banking supervision. The Bank of England argues that New Zealand is a free-rider on the supervisory activities of others. The question remains, however, whether supervision improves the safety of banks, without also increasing the claims of depositors upon the supervisor.

The Bank may even find itself swallowed up within what it seems bound to regard as a premature move to economic and monetary union within the European Union. That judgement would almost certainly be right, but it would still be a mistake to assume such a move cannot occur this decade. Would the UK have the nerve to stay outside? If not, the Bank of England might have gained only an Indian summer of visible influence over monetary policy. Be it short or not, let it ensure this is a bright one.

Labour's report

In one sense, it is unfair to assess Mr Tony Blair's leadership of the Labour party on the basis of yesterday's policy paper on education. He has, after all, been leader for less than a week. As for the paper, its contents were determined by the party's labyrinthine policy-making committees long before he took up the reins. Yet the prominence Mr Blair accorded education in his leadership campaign means that some sort of assessment is inescapable.

On general sentiments, the paper cannot be faulted. The importance of skills and knowledge in the modern economy is undeniable. The failure of the UK education system – in particular, English schools – to deliver either in sufficient quantities is widely accepted. Few will disagree with the proposition that the quality of education must be raised.

On detailed policies, there is also much to welcome. Broadening the scope of A-levels and a professional structure for the teaching profession are necessary steps. An expansion of nursery education is also desirable. In launching the paper, Mr Blair rightly emphasised the importance of standards and discipline in schools. He also made much of the need to build on the Conservative reform that gave schools control over budgets, in order to increase their autonomy.

But Mr Blair's well-crafted presentation could not disguise the continuing impact on Labour's education policy of the teachers' unions. Tha paper attacks Ofsted, the new inspection service set up to inspect schools more frequently, as insufficiently independent of the education secretary. It rejects the use of tests to monitor schools and teachers. And it describes school league tables as simplistic and flawed, and "not acceptable" as management tools. Parents and taxpayers need simple and objective measures of school performance, including the examination results which are so important for children's life-chances. Instead, Labour promises a deluge of information that will let underperforming schools off the hook.

The verdict – in the words of school reports over the years – is "must try harder". If Mr Blair is serious about putting education at the centre of his agenda for national renewal, he must ensure that Labour's policy papers match his rhetoric. A clearer focus on the ends of education is needed, with less influence for the producers. A first step would be to find a new shadow education secretary. Mrs Ann Taylor, the existing incumbent, appears out of step with his priorities.

China trade

Taiwan's statement yesterday that it is ready to meet the full obligations of a developed country on joining the General Agreement on Tariffs and Trade looks shrewdly calculated. In seeking thus to force the pace of its membership negotiations, Taiwan has thrown down a challenge to Beijing and to Gatt members' acceptance of China's demands that it be admitted first.

The move comes at a delicate stage in China's Gatt accession talks. Beijing hopes to conclude them in time to become a founder member of the World Trade Organisation, due to succeed the Gatt early next year. However, though the political atmosphere has been improved by the US decision to renew China's Most Favoured Nation treatment, decisive breakthroughs have yet to be made. Recent talk in Beijing of presenting Gatt with an accession package in September on a "take it or leave it" basis does not bode well for rapid agreement.

China's size and economic potential make it desirable that it be admitted to Gatt as soon as possible. However, clear conditions must be set for its entry if it is not to risk destabilising the organisation. Above all, Beijing must introduce far more transparency into the workings of its economy which, for all its recent reforms, is still patterned on the state trading model. It should also commit itself to a fixed timetable for conforming fully with Gatt rules, and to regular international monitoring of its progress.

That argues for granting Beijing a post-entry transition period, a concession which the US, alone and unreasonably, opposes. However, China must also be prepared to negotiate constructively. Any refusal to do so should not become a pretext for the Gatt to soft-pedal negotiations with Taiwan, or to delay its admission, once satisfactory terms are agreed. To exclude the world's eleventh largest exporter in deference to the demands of a large country, which is not even a member, would betray Gatt's central principles.

Furthermore, there is no legal basis for requiring that Beijing be admitted first. The new WTO charter neatly sidesteps the contentious issue of Chinese sovereignty by defining members as states and customs territories, not as governments. The Gatt should overcome its fears of antagonising China and break the artificial link between the two sets of accession negotiations. To do so would not only be fair; the prospect of a race between Beijing and Taipei to complete accession talks would concentrate minds in both capitals.

Grey on top, thinning below

Reform of the French pensions system could have far-reaching effects on industry and the economy, says John Ridding

Mr Philippe Bechet says he could always do with a bit more money, but he does not grumble about his pension. Like most of France's senior citizens, who are entitled to a full pension after 37½ years of contributions, the former sales manager receives more than half of his previous salary from the state pensions system.

His children, however, and the rest of their generation cannot regard retirement with such calm. Demographic trends, which will increase the proportion of over-60s in the population from about 20 per cent today to about 27 per cent in 2020 and a third in 2050, are putting state pensions under unbearable strain. Last year, the "pay as you go" system, in which pensions are paid from contributions from the current workforce, incurred a deficit of some FFr40bn (£4.8bn).

The realisation of a gathering crisis is pushing France towards a far-reaching reform of its pensions system, with implications which extend far beyond the purses of the over-60s. The changes under consideration could establish powerful private pension funds, provide a significant stimulus to the Paris stock market and, in the long run, reshape the structure of French capitalism.

Some important steps are already under way. By early next month, a law is due to take effect which will provide tax incentives for artisans and independent workers who invest in private pension schemes. The law, called the Madelin Law after its architect, Mr Alain Madelin, minister for enterprises and economic development, will affect an estimated 1.7m workers. One of its aims is to encourage the expansion of private pension schemes so as to provide a complementary retirement income to the state system.

Mrs Simone Veil, minister for social affairs, has also moved to ease the burden on the state pensions syatem. Last year she reformed existing legislation to extend from 37½ years to 40 years the period which people need to work to qualify for a full pension. She also announced that the full pension would be calculated, from this year, on the basis of a person's 25 best-paid years, rather than an average of the 10 best-paid years, which will result in lower benefits.

These changes, combined with the allocation of revenues from increased taxes on tobacco and higher social security contributions, will reduce the pensions pay-as-you-go deficit this year. But they are not enough to remedy France's underlying structural pensions problems. As a result, the government has faced increased pressure for the creation of a broader system of capitalised private pensions, as exist in most industrialised economies, in which employees invest in pension funds to finance their retirement.

The creation of such pension funds is "urgent and indispensable", says Mr Ernest-Antoine Seillière, vice-president of the Patronat, the French employers' association. "Reforms should ha adopted as quickly as possible," he says.

In principle, the government agrees. In January, Mr Edmond Alphandéry, the economy minister, said he "greatly hoped" to introduce a bill on pension reform to the National Assembly during the spring. Since then, however, the timetable has slipped. Mr Alphandéry is now aiming to introduce a bill during the autumn parliamentary session.

The delay is the result of two factors. Reform of the state pensions system is politically sensitive and has provoked opposition from some trade union groups, which participate in the management of the present system. They perceive pension reform as an attack on their influence and claim that it will act against the interests of the lowest-paid, since it is ths wealthy who will be more able to contribute to private pensions systems.

"Private pensions are theft," says Mr Marc Blondel, general secretary of Force Ouvrière, the union organisation.

At the same time, the government is anxious not to nip France's emerging economic recovery in the bud. "A reform of the pensions system would encourage more long-term savings and could dampen consumption," says Mr Jean-François Mercier, economist at Salomon Brothers, the securities house. Employees would effectively be paying into an additional, private pension scheme, on top of the existing two-tier state system and pay-as-you-go system.

Despite official foot-dragging, however, most observers believe the creation of capitalised private pensions is now a question of when, rather than if. "I am convinced that within one year or 18 months we will have private pension funds," says Mr Jacques Friedmann, chairman of Union des Assurances de Paris (UAP), France's largest insurance group, and a confidante of Mr Edouard Balladur, the prime minister. He describes the Madelin Law as a significant step to this end.

Mr Friedmann is not alone. Politicians, business groups and industry associations, aware that reform is on the way, have been busily preparing their own plans for pensions systems in an attempt to sway the bureaucrats at the economics ministry who are working on Mr Alphandéry's proposals.

Among the most influential suggestions are those from Mr Jacques Barrot, chairman of the National Assembly's finance committee, and from the Patronat. Mr Barrot calls for the creation of capitalised pension funds, which would complement rather than compete against the existing state system, and which would provide tax incentives for companies and employees to invest in pension funds. These funds would be set up by individual companies themselves, banks, insurance groups and other financial institutions.

Mr Barrot recommends that at least half of pensions contributions should be invested in equities, and that a proportion of employee contributions should be invested in employees' own companies. The funds would, however, be managed outside the company. This, he believes, would create a balance between the UK pensions system, in which pension funds are managed independently of companies, and the German system, where pension contributions are incorporated in company balance sheets. As in Germany, this might require an insurance scheme to protect pensioners against corporate bankruptcies.

The Patronat, by contrast, argues that companies themselves should decide whether pension funds should be managed internally or externally, and that they should be allowed to manage all of the funds themselves and add them to their balance sheets. The employers' organisation also wants employees to have the choice of taking their pensions in a lump sum or through annuities. Mr Barrot is opposed to payment in a lump sum.

Changes could lead to powerful private pension funds, boost the bourse, and reshape the structure of French capitalism

The debate, which has also drawn proposals from the Association of French Banks and the French Association of Private Enterprises, centres on these questions of internal versus external management, rules governing the division of investment between stocks and bonds, and the form of payment.

For some involved in the debate, Britain's experience of the Maxwell scandal, in which Mr Robert Maxwell, the late publisher, plundered the company's pension scheme, has raised concerns about internal management of pension funds. While French companies favour the use of pension funds to bolster their balance sheets, others question the extent to which companies should reinvest the pension contributions from employers.

"Employees already have their jobs tied up with the company. It may not be desirable for them to have their pensions tied up there too," says Mr Jan Twardowski, president of Frank Russell Securities of the US.

The method of payment of pensions has also drawn a sharp divide between France's banks, which favour the availability of a lump sum pay-out, and insurance companies, which support annuities. "Everyone is pushing the system which favours their own expertise," says Mr Alain Leclair, deputy president of asset management at Banque Paribas, the French investment bank. He sees it as an unnecessary battle, which has hindered the process of reform.

The battle, however, highlights the importance of the stakes involved. "It will be a huge market in the future for us," says Mr Friedmann of UAP. "Just for the Madelin Law there will be perhaps FFr10bn to FFr15bn in premiums; for a broader private pensions system the market will be hundreds of billions of francs."

The competition to manage these funds will be tough, with insurance companies, mutual savings groups and banks all vying for a slice of the new business.

"The creation of a capitalised system of pension funds will not happen overnight," says one insurance industry executive. "But most of the potential competitors are already developing products to cash in on the market."

One of the most important effects will be the creation of powerful institutional investors, a consideration which looms large in the government's thinking.

"The government sees the opportunity to kill two birds with one stone," says Mr Leclair at Paribas. In addition to easing pressure on the state pensions system, the creation of pension funds will strengthen the country's financial markets, he says.

For the French government, this is an important incentive. The Paris bourse has grown steadily in recent years – but, with a capitalisation of FFr2,600bn at the end of June, it remains smaller than some international rivals such as London, which had a market capitalisation of £757bn for domestic equities at the same date. The creation of powerful institutional investors, such as pension funds, would help the government develop the role of Paris as a financial centre.

"If you take a long-term view, then the best returns on investment are in equities," says one economist at a French merchant bank, pointing to statistics which show an average rate of return for an investment in French equities of more than double the return for an investment in bonds over the past 10 years. "So the creation of pension funds should shift funds to the bourse and give it a strong institutional base."

One important advantage of this would be to support the French government's ambitious privatisation programme. Launched in autumn last year, with the sale of Banque Nationale de Paris, the programme includes the sale of 21 public sector groups, expected to raise more than FFr250bn. As Mr Alphandery puts it: "As long as important privatisations are in the pipeline, our country must have funds which have the large part of their holdings in shares."

But the implications for the corporate sector spread far beyond public sector companies slated for sale. Pension funds could also help remedy what Mr Elie Cohen, a professor at Paris university, refers to as "capitalism without capital".

Because of the lack of big institutional investors and the stable long-term shareholders they represent, French industry has been forced to seek alternatives. One such has been a relatively high reliance on bank loans and direct equity investment by banks. Another has been the creation of complex systems of cross-shareholdings, in which companies form so-called *noyaux durs* – groups of core long-term shareholders. The recent privatisations illustrate the trend. For example, Elf Aquitaine, the oil group, and Banque Nationale de Paris, one of France's largest banks, took stakes in each other as they left the public sector.

Both recourses, however, have their drawbacks. The experience of Crédit Lyonnais has also shown the limitations of the bank-industry relationship. The state-owned bank, which lost FFr6.9bn in 1993, has outlined a plan to dispose of FFr20bn of assets over the next two years as part of its restructuring efforts. Many of the assets to be sold are equity stakes in French companies, heralding a reversal of the industrial banking strategy of Mr Jean-Yves Haberer, the former chairman.

The pattern of cross-shareholdings is also open to criticism. "The system can reduce the rigour of shareholder discipline," says one industry observer in Paris.

"There is a risk of cosy corporate relationships based on self-protection rather than the maximising of returns. There is also the question of whether it is the best use of corporate funds to have them tied up in shares in another industrial group, rather than investing them in the company's own core businesses."

Such considerations are far from the thoughts of the retired sales manager, Mr Bechet. But the changes unleashed by the need to provide for his offspring could also resolve a long-standing weakness in the financing of French industry and transform the nature of the economy from which they retire.

OBSERVER

The spunk of Munk

■ Royal Oak Mines of Vancouver, which bid for Toronto-based mining group Lac Minerals earlier this month, was presumably disappointed when the big guns of American Barrick rolled in with a rival offer at the beginning of the week. But perhaps Royal Oak's executives should extract a glimmer of comfort from Barrick chairman Peter Munk's rather formidable schedule in coming days.

On Monday, the Hungarian-Canadian entrepreneur went straight from briefing analysts and journalists on his Lac intentions to his first lunch and board meeting as chairman of Trizec, North America's biggest publicly-traded property developer. Horsham, another Munk-controlled enterprise, has become Trizec's main shareholder after investing over $500m to keep the developer afloat.

Today sees him in St Louis for the board meeting of another Horsham subsidiary which is edging towards the purchase of a Texas oil refinery. All this follows a special American Barrick directors meeting 10 days ago at which Munk and his colleagues decided to press ahead with a feasibility study for a $170m gold mine in Peru.

July normally sees Munk cooling his heels on his private island in a bay off Lake Huron. But it is perhaps no coincidence that this burst of activity comes at the height of summer. One visitor to the island retreat was taken aback to find a relatively modest cottage - lacking a dishwasher. Putting together blockbuster business deals surely beats drying dishes.

Rwandan welcome

■ Kigali's Hotel Meridien is offering special discounts for the adventurous. If you don't mind bomb-shattered windows, no bar, running water or electricity, you can stay for free.

Its manageress, Thérèse, kept the hotel running during the recent fierce battles between the former Hutu government army and Tutsi guerrillas.

Current distinguished guests include about half of the cabinet ministers of Rwanda's new government, who arrived from European exile once the rebel Rwandan Patriotic Front declared itself victorious last week.

The menu is looking rather sad, dating as it does from March 31, but Fina, a feisty Zairean, will whip up a gourmet meal in short order. For $20, it can be washed down with a bottle of vintage claret, formerly c/o the French ambassador's residence.

A split in time

■ It is surely another sign that things are returning to normal after last year's upheavals at Barclays when the chairman Andrew Buxton is spotted out-and-about on non-bank business. Buxton is taking over from Sir David Lees as chairman of the CBI's economic affairs committee, and was yesterday on show at Lees' last presentation of the Quarterly Trends survey. Buxton agreed that it would have been harder to find the time for such public duties had he not split the role of chairman and chief executive. Yes, he confided, he had indeed been reluctant to split the job so quickly after taking the tiller at the bank, but he had eventually succumbed to pressure from institutional investors. Now, with the arrival of Martin Taylor in the chief executive's seat, he professed himself a total convert. "I'm a walking advertisement for splitting the roles," was his comment.

'We're trying to keep ahead of any proposed changes'

Patten patter

■ As a cure for post-cabinet blues, John Patten flew to the pages of The Daily Telegraph yesterday in an altogether admirable effort to shift the Conservative party off its collective hind quarters. Observer was pretty impressed by the Patten prose too. How elegantly was the "prize at the end of the perpetual political rainbow" juxtaposed with the "seachange" that "will take 30 years or more to see through". How forcibly did the author convey the desirability of "encouraging the little battalions to be our social warp and weft". Should his words be doled out to GCSE English language students to study and reflect upon? The former education secretary mentions in passing how in 1979 he "swapped life in the intellectual theme park for life in the political one". One can but hope his journey fifteen years later into the theme park of scribblers will be equally smooth.

Blushing bride

■ The May wedding of Social Democratic prime minister Poul Nyrup Rasmussen and Lone Dybkjaer, a member of Denmark's Radical Liberal party, was a discreet affair. The couple had been living together for two years, and they were anxious to avoid making any undue public fuss as Dybkjaer was in mid-campaign for the European parliament.

Safely installed in Strasbourg, however, she and her husband gathered the press together in June to announce the glad tidings.

So the Danish official who recently compiled the new MEP's biography can hardly have reckoned with its subject's incensed demands that mention of her marriage to the prime minister be deleted.

"It is completely unacceptable that private details of this kind should be mentioned in an official biography," she asserted.

Beef free

■ Beleaguered British beef exporters, fearful that new European regulations on "mad cow disease" could ruin their livelihoods, can hardly have been cheered by the disarming frankness of their new minister for agriculture.

Not only did William Waldegrave readily admit that his new charges were in for "quite an uncomfortable transition period", but he also let slip that his ideal summer supper menu comprised chilled vegetable soup, a compote of fresh berries and, er, poached salmon.

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World Bank attacked for backing Nyerere

By Hans Georgeson in Dar es Salaam and Michael Holman in London

World Bank laments its Tanzania role ....Page 3

World Bank loans exceeding $1bn to Tanzania in the 1960s and 1970s helped sustain a "poorly thought out socialist experiment", according to a confidential internal report drawn up by the agency.

The two-volume analysis of relations between the World Bank and Tanzania between 1961 and 1987 is highly critical of the support for former President Julius Nyerere's socialist programme launched in 1967.

The report, obtained by the Financial Times, is still confidential, according to World Bank officials yesterday, though they said this may be reviewed in the light of the bank's new disclosure of information policy.

Mr Nyerere nationalised the country's industries, and some 14m peasants and their families were compulsorily regrouped in "ujamaa", or collective, villages in an effort to make water, health and education more accessible. But the badly planned exercise disrupted agricultural production.

Since independence in 1961, the bank and other donors have provided nearly $16bn in aid. The largest single contributor has been the bank, while Sweden, Denmark and Norway have together provided $3bn. Scandinavian countries have been among the largest bilateral donors.

The hitherto unpublished report, although compiled in 1990, five years after Mr Nyerere retired, throws new light on about the donors' share of responsibility for Tanzania's economic decline.

Many of the issues raised, including problems of aid co-ordination, effective utilisation of assistance, and donor reluctance to disclose policy failures, continue to characterise current efforts to tackle Africa'a development crisis. The document suggests that what it sees as Mr Nyerere's well meaning but impractical socialist vision was indulged by senior bank officials. Mr Robert McNamara, the former US secretary of state, was bank president from 1968 to 1981, most of the period covered by the report.

The report criticises what it calls a "stance of uncritical support for government policies" adding: "Even where risks were noted, the board consistently reiterated that it was the bank's role to be at the forefront of social innovation and change, supporting new approaches to development even at the risk of failure.

"The bank's practice of choosing to accept and not to influence the development path led to considerable difficulty when the bank then sought to restablish some influence in the eighties."

The report adds:

"The bank accepted Tanzania's road to socialism enunciated in 1967 as a fait accompli." Since 1967 and at least until 1980 the bank had viewed Tanzania "as coming close to being a model developing country."

Clinton aides 'breached no standards' over Whitewater

By Jurek Martin in Washington

Mr Lloyd Cutler, the White House legal counsel, told Congress yesterday that President Bill Clinton's close aides had breached no ethical standards in discussions with government regulatory officials in connection with the savings and loan institution at the heart of the Whitewater affair.

He also asserted, in testimony to the House banking committee, that there was no evidence that any regulatory agency had altered its approach as a result of representations by White House officials. "Nothing happened," he said bluntly.

Mr Cutler reiterated that "there were too many people involved in those discussions and some of those discussions should not have occurred".

It would have been better if exchanges had been confined to legal counsel at the White House and Treasury and procedures were now in place to ensure this.

But such was the media interest in Whitewater over the winter that it was not unreasonable for those responsible for press relations at the White House to try and find out exactly what was going on in the regulatory agencies, be added.

Mr Cutler's detailed testimony, interrupted by the joint address to Congress by King Hussein of Jordan and Mr Yitzhak Rabin, Israeli prime minister, was given to the first congressional hearings on the Whitewater affair, involving Mr and Mrs Clinton's financial and land dealings in Arkansas in the 1970s and 1980s.

He declined to criticise any individual, witb tbe possible exception – and then only by implication – of Mr Roger Altman, deputy secretary of the Treasury, for having told a New York Times editor, before informing the White House, that he would excuse himself from his savings and loan regulatory duties. Mr Altman was then acting head of the Resolution Trust Corporation, the agency formed to clear up the savings and loan mess of the 1980s.

Congressman Henry Gonzalez, the banking committee chairman, laid down tough rules for the bearings which limited questioning only to the "Washington end" of Whitewater.

Mr Cutler addressed the question of Mr Clinton's own involvement in the investigations into Madison Guaranty, the defunct Arkansas savings and loan institution at the heart of Whitewater. Tbe president had approached Mr Eugene Ludwig, comptroller of the currency, while both were at a holiday retreat over the last new year and suggested a further talk.

Word got back to Mr Joel Klein, deputy White House legal counsel and present at the same retreat, who promptly told the president it would be better to seek advice from someone else.

UN role could help Rwandan refugees

Continued from Page 1

It was Gen Kagame's philosopby of a united Rwanda that prevented the RPF wreaking massive revenge upon the Hutu population for the massacre of the Tutsi population that began in April. That was sparked by the death of Gen Juvenal Habyarimana, the country's former president, in an air crash.

Gen Kagame says those who did not take part in the massacres have nothing to fear from the new government. Bnt be pledged to bring all those suspected of killing to trial. At present, however, the says the RPF is only holding "a few dozen" prisoners of war. To avoid revenge masquerading as justice, be says he would welcome an international war crimes tribunal.

Although Gen Kagame declared victory last Monday after the former Hutu-supremacist government had fled into Zaire, his soldiers have not yet entered the south-west of the country, where a French intervention force has set up a "safe-haven" for bundreds of thousands of Rwandans displaced by the civil war, in part to avoid another massive exodus of refugees and another humanitarian catastrophe. But Gen Kagame has demanded the disarmament of Hutu militias and soldiers of the defeated army who have taken refuge behind French lines.

Russian decree will allow companies to own land

By Leyla Boulton in Moscow

Russian companies have finally been given the right to own the land on which they stand, in spite of many concessions to conservatives in a new decree allowing privatisetion to continue.

Mr Dmitry Vasiliev, deputy privatisation minister, said yesterday this would enable companies to sell surplus land, or use it to raise cash to restructure and modernise. "This will limit racketeering by bureaucrats," he said, claiming that local authorities often used their ownership rights over land to exert "pressure" on managers.

The decree, a substitute for legislation blocked by parliament, drops original provisions for much broader land privatisation. This is to be covered by separate legislation if approved by parliament.

It also gives local authorities the right to set the price, above a government-establisbed minimum tbreshold, at which shares in privatised companies can be sold to tbe public.

It prolongs existing employee benefits, enabling them to buy shares at a discount, and switches from the privatisation ministry to President Boris Yeltsin's office the final decision on the sale of the biggest companies.

Such companies are defined as having assets over Rbs200bn or more than 50,000 workers. In practice, this means that local authorities will be able to negotiate their fate directly with presidential officials – behind closed doors.

According to a senior official, 103,000 out of 140,000 state-owned companies were sold in the first stage of privatisation for vouchers given free of charge to citizens. But he could not say bow many more would be sold since a significant number in sensitive sectors sucb as nuclear energy are to remain in state hands.

Under a second stage of "post-voucher" privatisation, set out by the decree, all companies will be sold for cash, with 51 per cent of the proceeds to be ploughed back into the companies themselves. The rest will be shared between federal and local authorities. Any company less than 25 per cent owned by the state also now has the automatic right to launch secondary share issues.

Mr Vasiliev expected demand for privatised companies to fall sharply among domestic investors. However foreign investors, who had expressed increasing interest, would continue to receive equal treatment to domestic investors except in areas, such as defence and oil, previously defined as requiring special permission.

IMF acts to woo Kuchma, Page 2

THE LEX COLUMN

Margins for error

It is ironic that the strongest CBI quarterly trends survey since before the recession should also contain seeds of worry about the future. One is the familiar concern about the disappointing level of investment spending. The other is the first signs of inflationary pressure: companies report that unit costs rose slightly over the past four months and are expected to continue on this track over the next four. The main problem seems to be higher raw material costs. Steel prices, for example, have begun to rise, albeit from a low base, and companies must be acutely aware of other input price increases in train or in the pipeline.

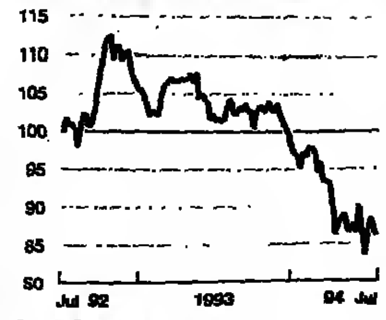
The temptation will be to pass on these extra costs rather than absorb them in their margins. To do so could prompt the Bank of England to start raising interest rates again. But the CBI is probably right to suggest that it is too early for the Bank to take pre-emptive action. It will need to see how far price increases stick first, and that is a matter of some doubt.

Besides there are grounds for suspicion that respondents to the survey are over-stating the upward pressure on unit costs. Companies tend to look only at costs at this stage in a recovery and underplay the operational gearing effect that comes with increased volumes. That is another reason for them to make sure margins really are squeezed before they push too hard on prices. Otherwise they risk unnecessarily irritating their customers as well as higher borrowing charges.

FT-SE Index: 3117.2 (+11.1)

Deutsche Bank

Share price relative to the DAX index



Source: Datastream

Deutsche Bank

At one level yesterday's first-half results from Deutsche Bank are an extraordinary measure of the organisation's inherent strength. Despite a DM473m hit from the Schneider affair, the bank managed a small increase in operating profits after provisions. The release of sovereign debt provisions and the extraordinary gain from the sale of stakes in Daimler-Benz and the Karstadt store group certainly helped. Presumably, too, the bank has drawn on its hidden reserves – in this regard German bank accounts remain opaque. But the fact that, after Schneider, it was still able to report a fall in net bad debt provisions closely in line with the drop in its trading income is an indication of its ability to overcome formidable operational setbacks.

Less satisfactory is what the results say about the underlying business development. The loan book is stagnating and the interest margin is coming under pressure, a trend that should continue with the introduction of money market funds. Trading income is likely to remain depressed. Also doubtful is whether commission income will continue to grow at the same pace in the second half.

In short, Deutsche looks like another case of a bank facing growth constraints. Having already cut its bad debt provisions by 46 per cent, there is less room for an earnings boost from improving bad debts as the economic recovery continues. The results may have been somewhat better than the market expected but there is no longer term reason for the shares to out-perform.

Gencor/Shell

Gencor has been trying to buy Royal Dutch/Shell's mining interests for over a year, so it is a relief that a deal has finally been struck. Untangling the web of pre-emption rights surrounding assets held in joint ventures has been the main sticking point. Shell has also had to supply $300m of low-cost finance to get the deal away. It is a measure of the forces driving botb sides that these problems have been overcome. Gencor badly wanted a deal which would propel it into the top tier of international mining companies. Shell has realised what BP acknowledged back in 1989: that oil companies bring nothing to mining.

The question is whether yesterday's deal will do for Gencor what the acquisition of BP Minerals did for RTZ. Mucb turns on commodity prices. While RTZ took a gamble on the copper price and won, Gencor is placing a similar bet on aluminium. Since it is buying near the bottom of the commodities cycle, the odds appear to be beavily stacked in Gencor's favour. While there are risks of a price correction, the recovery trend is clear. Integrating its new mining assets with aluminium smelting and stainless steel manufacture in South Africa should also bring benefits.

It is not clear that Gencor's big step on to the international scene will be enough to entice foreign fund managers. Complex cross-holdings, poor liquidity and the cumbersome mechanism of the financial rand are all reasons for international funds to steer clear. If these barriers come down, though, Gencor may have just lifted itself towards the top of the shopping list.

Forte/Savoy

Savoy's stock exchange statement contained many mysteries: not least, why it made it at all. The announcement added little to market knowledge and was chiefly remarkable for what it left unsaid. Doubtless, Forte thinks it worthwhile talking to the shareholding trusts about co-operation between the two hotel groups. It may well have much to offer in terms of joint marketing agreements, reservation systems and staff training. But the real unspoken point at issue is that of control. The long-running war for Savoy is hotting up again.

Forte already speaks for 42 per cent of the voting shares but its standstill agreement not to buy more shares complicates matters. Forte is clearly growing restless and appears to have blocked the proposed appointment of Sir Roger Gibbs as Savoy chairman. In talking to the family trusts, Forte is opening up another front and must be hoping to win majority control without resorting to a bid. The trusts may well be more amenable given the Savoy's dismal trading record and the halving of its dividend last year. The company's weighty non-executive directors now have a critical role to play in encouraging any constructive proposals from Forte while defending the interests of all shareholders.

Forte badly needs a success. The company was embarrassingly wrongfooted in its attempts to buy the Ciga hotels and it now appears as though the Meridien chain might evade its grasp. Some forward momentum is required if Forte's shares are to sustain their lofty rating.

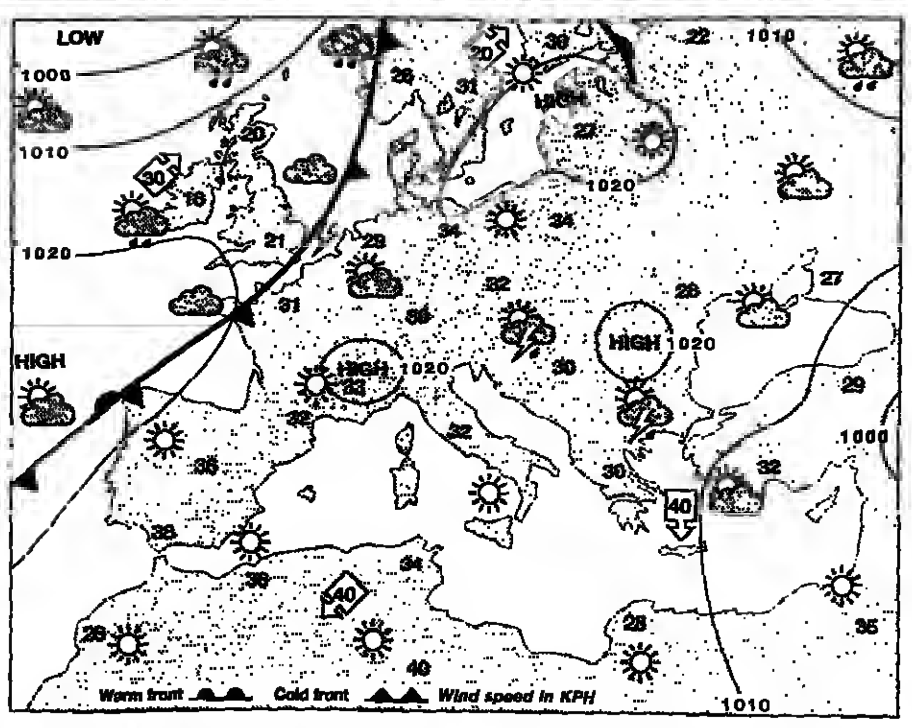
FT WEATHER GUIDE

Europe today

Most of the continent will be sunny with temperatures above 30C. Poland end east Germany will be especially hot with readings around 35C in many places. Rain and thunder showers will be scattered around the Balkans and eastern Austria. Strong northerly breezes between Greece and Turkey will keep temperatures below 30C. A cooler air mass will move into England, which will be cloudy with the possibility of rain. Ireland and Scotland will have some sun.

Five-day forecast

Unseasonably high temperatures will prevail, apart from the North Sea and Atlantic coasts. Central Europe, Spain and southern France will regularly see temperatures of 35C. Thunder showers will form mainly in France, the Low Countries and Switzerland. A south-westerly air flow over the British Isles will provide a mixture of sunny periods, cloud and scattered showers.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	sun	40
Accra	cloudy	27
Algiers	sun	32
Amsterdam	fair	26
Athens	sun	32
Atlanta	thund	33
B. Aires	cloudy	11
B.ham	cloudy	21
Bangkok	cloudy	33
Barcelona	sun	29
Beijing	fair	35
Belfast	cloudy	18
Belgrade	fair	30
Berlin	sun	34
Bermuda	fair	32
Bogota	fair	17
Bombay	rain	29
Brussels	fair	30
Budapest	fair	33
C.hagen	sun	28
Cairo	sun	35
Cape Town	rain	13
Caracas	fair	23
Cardiff	fair	18
Casablanca	fair	26
Chicago	fair	23
Cologne	sun	33
Dakar	fair	30
Dallas	fair	33
Delhi	rain	32
Dubai	sun	40
Dublin	fair	19
Dubrovnik	sun	30
Edinburgh	fair	21
Faro	sun	30
Frankfurt	sun	34
Geneva	fair	31
Gibraltar	sun	27
Glasgow	cloudy	20
Hamburg	sun	32
Helsinki	sun	29
Hong Kong	rain	27
Honolulu	fair	31
Istanbul	sun	28
Jakarta	fair	31
Jersey	fog	19
Karachi	sun	33
Kuwait	sun	45
L. Angeles	sun	31
Las Palmas	sun	27
Lima	cloudy	18
Lisbon	sun	28
London	drzzl	25
Lux.bourg	sun	31
Lyon	sun	33
Madeira	sun	25
Madrid	sun	37
Majorca	sun	32
Malta	sun	31
Manchester	cloudy	20
Manila	thund	31
Melbourne	fair	14
Mexico City	cloudy	21
Miami	thund	34
Milan	sun	33
Montreal	fair	26
Moscow	fair	22
Munich	sun	30
Nairobi	fair	24
Naples	sun	31
Nassau	fair	33
New York	shower	30
Nice	sun	29
Nicosia	sun	35
Oslo	fair	26
Paris	sun	31
Perth	shower	19
Prague	fair	31
Rangoon	rain	29
Reykjavik	shower	12
Rio	fair	29
Rome	sun	31
S. Frsco	sun	23
Seoul	cloudy	34
Singapore	fair	32
Stockholm	sun	31
Strasbourg	sun	33
Sydney	fair	16
Tangier	fair	31
Tel Aviv	sun	31
Tokyo	fair	32
Toronto	fair	24
Vancouver	shower	24
Venice	sun	31
Vienna	thund	32
Warsaw	sun	34
Washington	fair	31
Wellington	shower	11
Winnipeg	fair	30
Zurich	fair	30

FINANCIAL TIMES

COMPANIES & MARKETS

Wednesday July 27 1994

IN BRIEF

Nabisco rises 35% despite US decline

RJR Nabisco, the US tobacco and foods group, shrugged off an 11 per cent decline in domestic cigarette sales to post a 35 per cent increase in second-quarter profits to $192m.

Excluding extraordinary items, RJR's first-half profits rose to $386m, up from a comparable $352m a year earlier. The company said improved domestic tobacco margins, rising international cigarette sales, and a strong performance from its worldwide food businesses were behind the advance during the quarter. Page 14

Misys advances 23%
Misys, the acquisitive computing services group, reported a 23 per cent increase in annual profits helped by regulatory changes in the insurance industry favouring increased computerisation. Page 21

Banco Santander secures pole position
Banco Santander, the Spanish banking group which last April paid just over $2bn to acquire Banco Español de Crédito (Banesto), posted strong first-half results yesterday to secure itself as Spain's leading bank. Page 14

USAir pilots make offer
Pilots at USAir, the sixth-largest carrier in the US, have offered to make payroll concessions of $750m during five years in exchange for an equity position in the airline. The proposal is a response to USAir's $1bn cost cutting call. Page 16

Foodland assault over
Coles Myer, one of Australia's largest retailers, and Rank Commercial, the New Zealand-based company owned by Mr Graeme Hart, yesterday withdrew from their takeover assault on Foodland Associated, the Western Australian grocery business. Page 16

Daewoo sales up 28
Daewoo, South Korea's fourth-largest conglomerate, reported a 28 per cent increase in sales for the first half of 1994, according to preliminary results. The group is confident that it can achieve its sales targets for the year. Page 16

Dalepak Foods profits fall
Dalepak Foods, the maker of frozen and chilled products, recorded a drop in pre-tax profits from £2.21m to £514,000 in the year to April 30. Turnover declined from £42.2m to £36.9m. Page 20

UK life insurance divided
The UK life insurance industry is divided into Euro-enthusiasts and Euro-sceptics over the immediate importance of the European market. One of the most prominent Euro-sceptic is Prudential Corporation, the UK's largest life insurer. Page 20

UK wheat not up to scratch
UK wheat farmers risk losing market share to French and German rivals if they fail to grow enough quality bread grain to meet millers' needs, according to Ranks Hovis McDougall, the flour milling and baking group. Page 22

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)							
Rises				Sagem	580	+	44
Continental	271.5	+	6.5	Legrand	6650	+	270
Degussa	504.5	+	13.5	Radiotechn	464	+	22
Leifheit	720	+	20	Vallourec	304	+	21
Lufthansa	201.9	+	5.9	**Falls**			
Volkswagen	502	+	9.9	AGF	462.5	-	17.5
Falls				**TOKYO (Yen)**			
Zanders Feinp	228	-	7	**Rises**			
NEW YORK ($)				Green Cross	1150	+	50
Rises				Showa Aluminium			
Black & Decker	20	+	1¼		588	+	34
Genentech	17¾	+	1¾	**Falls**			
Orbital	10⅛	+	2⅛	Central Finance	525	-	30
Falls				Kawasaki Steel	380	-	12
Benetton	30	-	1¾	Kyodo Shiryo	489	-	21
Jones Apparel	20	-	6⅜	NTN	680	-	29
Lincoln Natl	38⅜	-	4⅜				
PARIS (FFr)							
Rises							
GTM-Entrepose	409	+	22				

New York prices at 12.30.

LONDON (Pence)							
Rises				Rugby	149	+	7
BPP Hldgs	103	+	13	Seacon	87	+	3
Border TV	187	+	8	VideoLogic	44½	+	4½
Continental Life	312	+	19	Waverley Mining	63	+	9
First Leisure	289	+	10	**Falls**			
Findlay	414	+	28	Blenheim Group	249	-	8
Grampian TV A	280	+	9	Clinical Comp	77	-	13
Hall Eng	185	+	20	Geest	258	-	12
Holders Tech	122	+	11	Low (Wm)	268	-	10
Jupiter Tyndall	317	+	14	Scantronic	28	-	20
London Clubs	343	+	9	Taunton Cider	173	-	7
Phonelink	258	+	15	Whessoe	108	-	26
RMC	971	+	21				
Reuters	480	+	15				

■ Operating profit up 1% at DM2.66bn ■ Improvement in bad debt provisions

Deutsche Bank inches ahead at half year

By Christopher Parkes in Frankfurt

Deutsche Bank managed a 1 per cent rise in first-half operating profit to DM2.66bn ($1.69bn), despite a sharp fall in earnings from own account trading.

The results were bolstered by a 46 per cent reduction in new provisions for bad and doubtful debts to DM885m from the DM1.64bn set aside in the same period of 1993.

Mr Hilmar Kopper, chairman, said at a press conference yesterday that full-year operating earnings would be above average. Last year's DM5.27bn had been an exceptional result.

Although he made no dividend predictions, he pointed out that the bank had already earned the DM780m needed to cover an unchanged payout.

Deutsche, the first of the main German banks to report half-year figures, made just DM332m on its own account trading, down from DM998m. According to Mr Kopper, profits from own account trading in equities and securities exceeded expectations but the bonds business fell short.

Provisions for bad debts were reduced after some DM200m of country risk provisions had been written back because of debt reschedulings.

Mr Kopper said the economic recovery in Germany and improved prospects for Deutsche's core customers in medium and small-scale businesses had also helped provisions.

The improved outlook for domestic risks was reflected in a provisions fall at the German parent, Deutsche Bank AG, from DM1.6bn last time to DM512m.

The amount set aside to cover potential losses from the collapse of Mr Jürgen Schneider's property business has been set at DM478m – less than the DM500m announced earlier.

The group's net commission income rose almost 6 per cent to DM3bn, with positive contributions from most financial service divisions.

Equity sales were the main factor behind rising receipts in the securities operation, while income from sales of investment certificates and syndicated business "roughly matched the good result of last year".

Net interest earnings of DM5.8bn were virtually unchanged despite a contraction of 0.12 percentage points in the overall interest margin to 2.09 per cent.

Although net earnings per share fell from DM46 to DM40, Mr Kopper said this would change at the year-end. Operating profits per share had risen DM1 to DM113.

German banks compare interim results with the relevant fraction of the previous year's final outcome: in this case six-twelfths of the 1993 figures.

Yesterday's report also provided further evidence of rationalisation, with about 2,000 domestic jobs cut.

Lex, Page 12

Full-year operating earnings would be above average, Hilmar Kopper said, but he made no dividend predictions

Gencor buys Shell minerals operations

By Mark Suzman in Johannesburg

Gencor, the South African mining house, is to pay $1.14bn for most of the metals and minerals operations of the Royal Dutch/Shell group, which trade under the Billiton banner. The purchase will satisfy Gencor's ambition of becoming one of the world's biggest and most diversified resources groups.

The deal includes assets in 15 countries, including bauxite, aluminium, nickel, zinc and lead interests as well as a portfolio of exploration rights and a global metals marketing and trading network. It also includes Billiton International, which takes in Gencor's Sao Bento gold mine in Brazil and its 50 per cent share of Richards Bay Minerals, the South African mineral sands producer.

Billiton draws most of its revenue from bauxite and alumina, raw materials for aluminium. Combined with Gencor's South African aluminium interests at the Alusaf refinery, undergoing a $2bn expansion, it will turn Gencor into the world's fifth biggest aluminium producer. Its portfolio will also include coal, gold, platinum, and manganese.

Mr Brian Gilbertson, Gencor's chairman, rejected concerns that Gencor was now overexposed to aluminium, saying that after recent improvements in the aluminium price the combined group was poised to benefit from the economic upturn.

The price agreed for the assets was $1.22bn, but an expected adjustment downwards of $90m to reflect changes in net capital employed since December 1992 and a $15m cash injection to Billiton's Suriname operations by Gencor brings the value of the deal to $1.14bn.

Because of exchange control restrictions, Gencor has been unable to finance the deal from South Africa. Instead it will contribute $335m in cash, raised from the disposal of its interests in TransAtlantic Holdings and some North Sea oil assets, and is borrowing $430m of seven-year debt. Shell will retain a stake in the business by subscribing for $300m of exchangeable bonds. Billiton will take out an additional facility of $170m to meet working capital needs.

Shell said the deal would result in an after-tax charge of $170m but this would at least be offset by the divestiture of its remaining metals assets.

Lex, Page 12; Bold steps, Page 16

Boeing profits halved on delivery downturn

By Frank McGurty in New York

Boeing, the Seattle-based aerospace group, suffered a near 50 per cent fall in second-quarter net earnings, primarily because of a sharp downturn in aircraft deliveries.

In addition Mr Frank Shrontz, Boeing's chairman and chief executive, affirmed earlier forecasts of 260 deliveries for the full year, with production showing a 20 per cent decline in the second half, from the first. Revenues for the year are estimated at $21bn, about the same level as the previous year.

In the three months to the end of June, the world's largest aircraft manufacturer turned in a net profit of $222m, or 65 cents a share, on revenues of $5.4bn. The results compare with earnings of $426m, or $1.25, and sales of $6bn in the second quarter of last year.

Although the decline was severe, Boeing's performance was better than Wall Street had expected. Net earnings were well ahead of a consensus forecast, which had projected 56 cents a share.

Analysts said Boeing limited the damage to the bottom line by lowering its effective federal tax rate to 26 per cent, from 31.7 per cent in 1993. Its burden was eased by a tax credit for research and development costs and tax-exempt income benefits associated with export sales.

Boeing's stock slipped $¼ to $45¾ in early trading on Wall Street. "It was a non-operational gain, and the market usually doesn't give you much credit for that," said Mr Jack Modzelewski, an analyst at PaineWebber, the New York securities house.

Mr Wolfgang Demisch, of BT Securities in New York, expected that about 10 cents would be added to full-year forecasts in view of the reduced tax rate. Currently Wall Street predictions for 1994 earnings are around $2 a share, down from $3.66 last year.

From an operating standpoint, the results were in line with expectations. A two-year slump in commercial aircraft production showed no sign of abating, with 67 deliveries reported in the second quarter, compared with 109 a year ago. Lower corporate investment income and higher interest charges also had a negative impact on profits.

Research and development costs are expected to exceed 1993 expenditure of $1.7bn. This partly reflects extensive testing and systems integration of the new 777 commercial airliner, which is scheduled to begin passenger service next May.

For the first half, the company posted net profits of $514m, or $1.51 a share, against $751m, or $2.21 a share, in the 1993 period. Sales declined to $11.7bn from $14.6bn.

Digital loses $1.75bn in fourth quarter

By Louise Kehoe in San Francisco

Digital Equipment yesterday reported fourth-quarter losses of $1.75bn and a heavy loss for the fourth consecutive year.

The US computer maker incurred restructuring charges of $1.2bn, write-offs of intangible assets amounting to $380m and a $51m charge for accounting changes. Losses from operations were $160m, or $1.22 per common share, worse than Wall Street projections of about $100m.

For the full year Digital suffered a net loss of $2.2bn, or $15.80 a share, compared with a loss of $251m, or $1.93, the year before. Revenues fell by 6 per cent to $13.45bn. The net loss on operations was $519m, or $3.86.

Fourth-quarter revenues were flat at $3.92bn, against $3.91bn, and the loss per share reached $12.64. In the fourth quarter of 1992-93, Digital made a net profit of $113.2m, or 85 cents a share.

Despite the heavy losses, Digital's shares rallied to trade at $19⅞ in mid-session, up from $18⅞. Analysts were encouraged by higher than expected revenues and an increase in orders booked during the quarter.

"The fundamentals of our business are showing some positive and encouraging signs," said Mr Robert Palmer, president and chief executive. "We experienced order rate growth year-over-year for the second quarter in a row – the first time in almost five years."

However, Digital's product gross margin in the fourth quarter fell sharply to 25 per cent of sales, from 38.7 per cent. This reflected a shift towards lower margin personal computers. PC sales almost doubled in the quarter to represent 39 per cent of computer revenues.

Profit margins were also eroded by price reductions, a shift towards indirect sales via independent resellers and plant closure costs.

Sales of Digital's "Alpha systems", based on the company's new high performance microprocessor technology, were up 54 per cent from the third quarter and 164 per cent year-on-year. Alpha systems now represent 31 per cent of computer revenues.

Two weeks ago, Digital announced it would restructure management, cut 20,000 jobs over the next 12 months and eliminate about 10m sq ft of work space. Annual costs are expected to be reduced by $1.85bn. During the fourth quarter Digital eliminated 9,200 jobs.

It also plans to divest "non-strategic assets". Last week it agreed to sell a portion of its data storage business to Quantum for $400m.

Mr Vincent Mullarkey, chief financial officer, said: "We ended the year with $1.18bn in cash and generated cash from operations in the quarter."

Barry Riley

Why the birthday bond is a party-pooper

As the Bank of England celebrates its first 300 years (yes, today is at last the Old Lady's *real* birthday), it is relishing the unusual prestige of central banking and the tantalising talk of "independence".

But in Threadneedle Street there is one tiresome party-pooping problem – the high level of real interest rates which the Bank regards as some kind of market anomaly related to the inability of the obstinate markets to accept that inflation has permanently fallen to a very low level.

Also today the Bank happens to be holding one of its gilt-edged auctions, the first for a long while to offer a reasonably long-dated bond (with a 16-year maturity, in fact). If inflation is to stay around 2 per cent the real interest rate on this birthday bond will be more than 6 per cent, a rate at which the Bank is very reluctant to fund for lengthy terms.

To underline its hesitation the Bank has chosen an issue with a 6¼ per cent coupon, even though this means the sale will be at a big discount (of about 17¼ per cent) so the yield to redemption will be at the market rate of about 8¾ per cent.

The Bank is kidding nobody here – and even when the long gilt yield *did* fall fleetingly below 6½ per cent at the end of last year it failed to exploit the tactical opportunity to launch a long bond issue.

However, the Bank of England can count itself lucky to be facing *only* a 6 per cent real yield. In Canada the 10-year bond yield is 9.2 per cent and in Australia 9.6 per cent, while inflation in those two nations is zero and 1.4 per cent, respectively.

For governments that have become used to defrauding investors through inflation these high real rates appear formidable. The average annual real return on UK gilts between 1946 and 1993 was *minus* 0.1 per cent, very satisfactory for the public purse.

However, in the process much of the natural domestic investor base for government bonds was wiped out, and it will only be rebuilt slowly and painfully.

In any case, periods of very high real returns on government bonds are regular historical phenomena. During the 1920s and 1930s, for instance, real gilt-edged returns averaged 7 or 8 per cent. This came about, however, because retail prices were *falling*, and nominal yields were not as high as now.

Periods of very high real returns on government bonds are regular phenomena

If inflation is to remain positive, as seems likely in most countries other than Japan, high real rates in the 1990s can only be achieved through nominal interest rates of a level that central banks will find alarming.

Such historical periods of high rates have reflected necessary financial adjustments after unsustainable credit expansions. Although this time governments in the US, Japan, Sweden and elsewhere have prevented collapses of their banking systems they have often done so only by borrowing vastly on their own accounts. In Sweden the price has now correspondingly gone up to 11 per cent.

As for inflation, it may be quiescent but a study in the Bank of England's last *Quarterly Bulletin* showed that nearly all the inflation in the Bank's 300-year history has happened since 1945 (and the rest was mostly caused by the Napoleonic wars or the First World War). Such peacetime inflation has been a triumph, you might say, for the Bretton Woods agreement, which this month celebrates a mere 50th birthday.

According to the *BZW Equity-Gilt Study* a 6 to 8 per cent real return is the kind of return expected from equities. The danger for the central bankers funding profligate governments is that they now depend on speculative bond investors who trade actively up and down the yield curve and from country to country and look for capital gains rather than yield. Instead of sleepy trustees and doddery grannies they must nowadays look hedge fund managers in the whites of the eyes.

There is hope. British pension funds are reported to have raised their UK fixed interest exposure from 3.3 to 4.2 per cent in the second quarter.

The bad news is that UK retail prices have risen 67-fold since the Bank of England was established in 1694. The good, if doubtfully relevant, news is that is only 1.4 per cent a year.

Strong first half at Banco Santander

By Tom Burns in Madrid

Banco Santander, the Spanish banking group which last April paid just over $2bn to acquire Banco Español de Crédito (Banesto), posted strong first-half results yesterday to secure it as Spain's leading bank.

Santander raised its consolidated net profits by 8.2 per cent to Pta51bn ($389m) in spite of what Mr Emilio Botín, the chairman, termed "a difficult economic environment characterised by limited credit demand, a high level of competition and the negative impact of the sharp drop in the stock and bond markets".

The first-half results, which are likely to form tha high-water mark for the Spanisb banks at the half-year stage, compared with a 14 per cent consolidated net profit fall by Banco Bilbao Vizcaya, BBV, which rivals Santander in size, and a net income increase of just 1.2 per cent by the smaller Banco Popular group which has the reputation of being the most profitable domestic banking group.

In common with the rest of the banking sector, Santander was hit by decreased revenue from Treasury and capital markets activities where profits fell 80.2 per cent to Pta7.2bn. This was offset by a 74.7 per cent reduction in net provisions to Pta9.5bn.

Santander took the lower provisioning in its stride because it believes the growth of its non-performing loans has been curbed and its coverage of doubtful and bad debts, thanks to the traditional conservatism of its loan policy, remains at a high 100.5 per cent and at 137 per cent if real estate collaterals held against certain loans are taken in to account.

The group showed the strength of its core banking business with an 8 per cent rise to Pta125.5bn in net interest income and a 31 per cent increase in income from fees and commission that raised the operating margin by 13 per cent to Pta176bn.

The group's operating profit (the operating margin less processing costs) grew 13.4 per cent to Pta81.6bn.

Mr Botin said a one-for-three Pta89bn rights issue to help finance the Banesto acquisition had been successfully concluded.

He forecast an improvement in the domestic business environment that would further strengthen Santander's balance sheet.

BCP launches largest Portuguese bid

By Peter Wise in Lisbon

Banco Comercial Português yesterday announced a Es132bn ($781m) public offer for a controlling stake of 40 per cent of Banco Português do Atlântico. The purchase would push BCP to first position, from fourth, in the ranking of Portugal's commercial banks.

BCP's offer, the biggest takeover bid in Portugal, is the first of what is expected to be a number of important acquisition and merger attempts as the five biggest banks, several of them recently privatised, jostle for market share.

BCP's bid, at Es3,000 a share, values BPA, Portugal's largest commercial bank, at Es300bn. The offer is almost 50 per cent highar than BPA's market price and about 16 times forecast 1995 earnings.

BPA shares closed at Es2,010 yesterday, down from Es2,022 on Monday. Dealers said the offer was announced too late to make a large impact on prices. BCP shares closed at Es2,231, down from Es2,235 the previous day.

Lisbon stock market analysts considered the offer high. BCP officials acknowledged the bank was prepared to pay a premium for winning control of BPA and to improve the group's market position.

Mr Jorge Jardim Gonçalves, BCP chairman, said the offer was made to expand BCP's market share and increase its potential for cross-selling financial products, because growth based on the bank's existing resources was proving too slow.

He said control of BPA would increase BCP's market share to 22 per cent, from about 10 per cent, after the disposal of soma companies within the BPA group that would be soperfluous to the new group. He said BPA's brand name and marketing strategy would not be altered.

BCP, based on results for 1993, is Portugal's fourth largest commercial bank by oet assets but it ranks first in terms of own capital. An earlier attempt to expand was frustrated last year when the government turned down BCP's offer to purchase state-owned Banco Pinto & Sotto Mayor, Portugal's sixth ranked commercial bank.

BCP's offer has to be approved by the stock exchange commission, the finance ministry and the central bank.

If approved, the operation is not expected to be completed before November.

Nabisco rises 35% despite fall in US sales

By Patrick Harverson in New York

RJR Nabisco, the US tobacco and foods group, shrugged off an 11 per cent decline in domestic cigarette sales to post a 35 per cent increase in second-quarter profits to $192m, before extraordinary items.

After accounting for a $146m one-off charge related to the repurchase and retirement of debt, RJR's net income in the quarter totalled $46m. In the same quarter a year ago, after a $65m charge for debt repurchase and retirement, the group earned net income of $77m.

Excloding extraordinary items, RJR's first-half profits rose to $386m, np from a comparable $352m a year earlier.

The company said improved domestic tobacco margins, rising international cigarette sales, and a strong performance from its worldwide food businesses were behind the advance during the quarter.

It was the first reporting period not affected by last year's so-called Marlboro Friday, wben Philip Morris prompted a price war amoog cigarette makers by cutting the price of its premium brands.

Operating income during the three months was $875m on salea of $3.78bn, np from $582m a year earlier on sales of $3.72bn. Amid contioued aggressive expansion overseas, most notably in former Soviet bloc countries, RJR's international tobacco business again performed strongly. However, foreign exchange losses – said by analysts to total $28m – took their toll.

The gronp's Nabisco foods business reported a 20 per cent increase in operating earnings, with domestic biscuit sales again postiog impressive growth.

RJR's results were in line with analysts' forecasts, but their failure to match the better-than-expected second-quarter earnings of rivals Philip Morris and American Brands disappointed some investors, who bid the group's stock down $¼ to $6 in New York.

Restructure lifts Amdahl out of red for quarter

By Louise Kehoe in San Francisco

Amdahl, the mainframe computer company, yesterday reported strong second-quarter results following a reconstruction of the group last year.

Net income for the secood quarter was $12.5m, or 11 cents a share, compared with a net loss of $23.7m, or 21 cents, in the same period last year. Revenues declined 15 per cent to $397m from $463m.

For the half year, Amdahl earned $19.6m, or 17 cents a share, on revenoes of $775.7m.

This contrasts with a net loss of $263.4m, or $2.32, and revenues of $843.9m in the first half of 1993, when the company took restructuring charges of $177.4m after tax.

"The restructuring efforts last year have brought our expenses into line with current market conditions, enabling us to generate profits on lower volumes of business," said Mr Joseph Zemke, president and chief executive.

In the latest quarter, operating expenses declined about 24 per cent from the same period last year, and gross margins rose to 35 per cent from 30 per cent a year ago.

"Demand for our mainframe computers and storage products remained good, and our lower inventories, reductions in planl capacity, and improved cost structure have allowed us to be more selective and margin-conscious wben evaluating sales opportunities," Mr Zemke said.

"Our objective continues to be the strengthening of establisbed businesses and the expansion of newer open systems, software and consulting endeavours," he said.

In May, Amdahl introduced a new line of massively parallel database servers developed by its alliance partners Oracle, nCube and Informatioo Builders.

During the quarter, the company began shipping data storage products purchased from Data General.

EBRD joins Czech TV venture

By Vincent Boland in Prague

The European Bank for Reconstruction and Development is to pay $4m for a stake in Kabel Net, a new Czech cable television venture, and will provide $20m in loan guarantees to help finance the project, the bank said yesterday.

Kabel Net is due to launch on September 22 with an initial 10,000 subscribers in the capital, Prague. It expects to reach 100,000 homes by the end of next year.

The main sharebolder in Kabel Net is United International Holdings, a US cable television company, which has invested $9.1m for a 66.7 per cent stake. The EBRD is taking a 14.8 per cent stake and the New Europe East Investment Fund, a London investor, will hold the balance.

Total investment in the project is $62m, with loan finance provided by a group of international banks, including Creditanstalt, ING Bank and Nationale Investering.

Kabel Net will provide up to 16 channels using MMDS technology, Mr Mario Dieckmann, managing director, said. They will have original Czech-language programming as well as rebroadcasts of international programmes in English, German and French.

Four other companies are either offering or attempting to offer cable services to Prague's 450,000 homes. Competition is expected to increase when the Czech government chooses a strategic international investor for SPT Telecom, the state telephone monopoly, later this year.

Inchcape in Russian deal with Coca-Cola

By Andrew Bolger in London

Inchcape, the international motors, marketing and services group, is to invest more than £25m ($38.75m) in Coca-Cola bottling franchises in the Russian Federation.

Although Coca-Cola claims to be the dominant western producer of soft drinks in the former Soviet Union and in eastern Europe as a whole, it lags rival PepsiCo in Russia.

However, Coca-Cola has invested $35m in a bottling plant in Moscow, already in operation, and will soon see production start from its plant in St Petersburg, on which a further $35m has been spent.

Together with the investment planned by Inchcape, Coca-Cola said it was confident it would soon achieve a dominant market position.

Both Coca-Cola and Inchcape said Russia represented a substantial growth opportunity. Although Coca-Cola has doubled its sales in the past two years, western brands account for only about 25 per cent of the soft drinks sold.

The Inchcape franchises are in six of the 12 largest cities in the Federation, covering an area south and east of Moscow with a population approaching 50m. They include Russia's third largest city of Nizhniy Novgorod (formerly Gorky).

Adia returns to black and raises forecast

By Ian Rodger in Zurich

Adia, the Swiss temporary employment agency group controlled by Mr Klaus Jacobs, returned to profit in the first half following two years of losses.

It raised the forecast net income for the full year to SFr20m ($14.3m).

Mr John Bowmer, chief executive, said net income in the first half reached SFr8.3m compared with a loss of SFr31.6m in the same period last year. Total revenues rose 10 per cent to SFr1.65bn, reflecting a similar rise in hours sold.

Improving demand for temporary help in continental Europe was a sign of the beginning of an economic recovery. Revenues and profits cootinued to grow in the US, Australia and the UK, he said.

Mr Bowmer forecast in April that 1994 net income would reach SFr5m after losses of SFr127m in 1993 and SFr219m in 1992.

Meanwhile, Adia said it had suspended negotiations on acquiring the 19 per cent of Adia Services, its quoted US subsidiary, which it does not already own.

It had beeo unable to reach agreement with a special committee of the US subsidiary's board on terms.

Recovery continues with surge at VME

By Andrew Baxter in London

VME Group, one of Europe's largest producers of construction equipment, continued its recovery in the first half of the year by lifting net profits to $58.4m from $6m a year earlier.

The 1993 figure inclnded a $12.3m gain from an accounting change. Net income in the second quarter of 1994 jumped from $3.7m a year ago to $31.6m.

Brussels-based VME, which is jointly-owned by Clark Equipment of the US and Sweden's Volvo, said first-balf sales rose from $609.6m to $733.6m, with the second-quarter contribution rising from $927.1m to $406m.

It said demand continued to be strong in North America and the UK, and had started to improve in the Nordic countries, France, Spain and Australia. Its total worldwide order intake in the first six months was up more than 50 per cent on the first half of 1993.

VME makes earthmoving, construction and mining equipment under the brandnames Volvo BM, Michigan, Euclid, Akerman and Zettelmeyer.

Novo Nordisk in Japan move

By Hilary Barnes in Copenhagen

Novo Nordisk, the Danisb pharmaceuticals and industrial enzymes group, plans to lovest $47m in the construction of a plant for packaging, quality control and warehousing of pharmaceutical products at Koriyama, 230km north-east of Tokyo.

Japan is the largest single market for Novo Nordisk's pharmaceutical products which include insulin and insulin injection systems for diabetics care, growtb hormone and other products, the group said.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 27.07.94: Pool purchase price £/MWh	Final Prices for Trading on 25.07.94: Pool purchase price £/MWh	Pool selling price £/MWh
0030	13.30	12.02	14.52
0100	10.05	12.02	14.52
0130	10.06	12.02	14.52
0200	10.05	12.02	14.52
0230	10.05	12.02	14.52
0300	10.05	12.02	14.52
0330	10.05	12.02	14.52
0400	10.05	12.02	14.52
0430	10.06	12.02	14.52
0500	9.90	12.02	14.52
0530	9.90	10.70	10.70
0600	10.05	24.52	27.02
0630	11.22	24.52	27.02
0700	14.07	24.52	27.02
0730	16.57	24.52	27.02
0800	17.38	24.54	27.05
0830	17.30	24.60	27.13
0900	17.30	24.76	27.35
0930	18.49	25.02	27.86
1000	27.64	36.68	38.40
1030	27.64	35.91	38.69
1100	27.85	28.28	31.11
1130	18.55	32.04	34.90
1200	27.70	32.31	35.32
1230	27.89	32.22	36.20
1300	18.52	31.83	34.72
1330	18.50	25.35	28.11
1400	18.49	25.16	27.87
1430	17.34	25.11	27.79
1500	17.34	25.11	27.79
1530	17.34	25.23	27.96
1600	17.34	25.69	28.56
1630	17.35	31.51	34.54
1700	17.35	36.97	40.04
1730	17.35	36.41	39.32
1800	17.30	35.61	38.31
1830	17.29	24.65	27.17
1900	17.29	24.59	27.09
1930	17.29	24.52	27.02
2000	18.57	24.52	27.02
2030	18.57	24.52	27.02
2100	16.57	24.52	27.02
2130	18.57	24.52	27.02
2200	26.22	24.52	27.02
2230	26.22	42.00	44.50
2300	26.22	42.00	44.50
2330	20.90	42.00	44.50
2400	13.33	17.56	20.06

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left. [illegible]

GENCOR

Gencor Limited

(Incorporated in South Africa. Registration number 01/01232/06)

("Gencor")

Acquisition of certain Billiton Assets from Royal Dutch/Shell Group of companies ("Shell")

INTRODUCTION
Gencor is pleased to announce that a Framework Agreement has been signed by Shell and Gencor for the acquisition by Gencor of certain assets from Shell's metals division. Tha agreement sets out the sequence of events for execution of tha transaction and the conditions to be satisfied or waived prior to its completion, which is expected to take place around the end of the third quarter of 1994.

THE TRANSACTION
Subject to satisfaction of the outstanding conditions, Gencor will acquire from Shell, with effect from 1 July, 1994, a substantial part of Shell's metals division (the "Billiton Assets"). The assets are principally engaged in the mining, processing and marketing of bauxite, alumina, aluminium, nickel, gold, zinc and lead.

The consideration for the Billiton Assets has been agreed at US$1,219 million, subject to adjustment principally to reflect the change in net capital employed between 31 December, 1992 and 30 June, 1994 (see below – Funding of the Acquisition). All Inter-company accounts between Shell and the Billiton Assets will be settled either in the ordinary course of business or at completion.

Other than in respect of Bogosu in Ghana, to the extent that any net debt, either with third parties or with Shell, is assumed with the acquisition of the Billiton Assets, the price will be reduced accordingly. Existing project finance loans of approximately US$46 million will be assumed by, and ring-fenced within, Bogosu, with no recourse against the other Billiton International assets.

The Billiton Assets together with the Gencor group's ordinary share interests in Richards Bay Minerals ("RBM") and the Sao Bento gold mine ("Sao Bento"), will be contributed into a major new international natural resources group. The holding company of this group will be called Billiton International (BVI) Limited ("Billiton International"), and will initially be wholly-owned by Gencor.

The approval of the South African Reserve Bank has been obtained to proceed with tha transaction.

RATIONALE FOR THE TRANSACTION
The transaction secures for Gencor a major international portfolio of high quality operations, and consolidates its position as a world class natural resources group. It also provides Gencor with a substantial international base for future growth.

Tha majority of the operations that constitute the Billiton Assets are well established, have proven local management, comply with high operational standards, are relative low cost producers and are cash generative. Where assets are owned through joint venture agreements, the major joint venture partners are mostly companies of recognised international stature.

The acquisition was negotiated during a period when commodity prices, and in particular aluminium prices, were depressed, and Gencor believes the price paid to be reasonable in relation to the underlying economic value. The Billiton Assets, together with Gencor's existing portfolio, should provide strong earnings growth upon an improvement in world commodity markets.

In due course Gencor expects to derive additional benefits:

- the individual exploration programmes of the Billiton Assets and Gencor will be co-ordinated to optimise the likelihood of success;
- bauxite and alumina production constitute the essential upstream raw material chain for the manufacture of aluminium. Some 400,000 tonnes per annum of Billiton International's alumina production will be supplied to Alusaf, a major aluminium smelting facility in which Gencor has a 41% interest, and which is presently expanding its aluminium production capability to 646,000 tonnes per annum. It is likely that further quantities of alumina will in due course be supplied by Billiton International to Alusaf, since South Africa has no bauxite reserves of economic significance;
- the ferro-nickel output of Cerro Matoso is well suited to the Columbus stainless steel plant in which the Gencor group has a 33 per cent. interest. South Africa's nickel production, a significant proportion of which is produced by the Gencor group, is at present sufficient in quantity to meet the requirements of Columbus but is of a quality (Class 1) that significantly exceeds the input specifications for stainless steel making, and could potentially earn higher revenues if exported; and
- The Billiton Marketing and Trading organisation, headquartered at Leidschendam in The Netherlands, with offices in key locations around the world, will provide marketing outlets for the wide range of metals and minerals produced by the Gencor group.

After completion of the transaction, Gencor will be one of the most diversified international natural resources groups, with its income derived principally from seven world class commodity businesses: gold, platinum group metals, coal, ferroalloys, titanium minerals sands, alumina and aluminium, and nickel.

THE BILLITON ASSETS
The Billiton Assets are located in 15 countries and include:

- participations in joint ventures involved in alumina refining in Brazil, Australia and Surinama and in aluminium smelting operations in Brazil;
- mining activities in nine countries mainly related to bauxite, nickel, gold, zinc and lead;
- a portfolio of exploration rights;
- a global metals marketing and trading network; and
- a services company providing commercial and technical support to the group.

A summary table of the principal Billiton Assets by commodity is set out below.

Asset name	Location	Description	Interest (%)	Total 1993 production (p.a.)
Bauxite, alumina and aluminium				
Worsley	Australia	Bauxite mine and alumina refinery	30	6 million tonnes 1.6 million tonnes
MRN	Brazil	Bauxite mine	14.6	6.0 million tonnes
Alumar	Brazil	Alumina refinery Aluminium smelter	36 46.35	1 million tonnes 350,000 tonnes
Valesul	Brazil	Aluminium smelter	41.5	85,000 tonnes
BMS	Suriname	Bauxite mine Alumina refinery	76 45	2.0 million tonnes 1.5 million tonnes
Boké	Guinea	Bauxite mine	3.06	11.5 million tonnes
Aughinish	Eire	Alumina refinery	35.0	1.1 million tonnes
Nickel				
Cerro Matoso	Colombia	Nickel mine	52.31	44.5 million pounds
Precious Metals				
Bogosu	Ghana	Gold mine	61.23	90,000 troy ounces
Prima Lirang	Indonesia	Gold mine (also silver and barite)	90	47,000 troy ounces
Other				
Selbaie	Canada	Copper and zinc mine	100	33,000 tonnes[1] 54,000 tonnes[1]
Pering[2]	South Africa	Zinc and lead mine	100	30,000 tonnes[1] 5,000 tonnes[1]
Marketing and Trading	Principally Netherlands, UK, France, Germany and Japan	Marketing and trading	100	N/A
Commercial and Technical Services	Netherlands	Commercial and technical	100	N/A

Notes:
[1] In concentrate.
[2] To be held directly by Gencor.

- **Framework Agreement signed between Gencor and Shell whereby Gencor is to acquire the Billiton Assets for US$1,219 million (subject to adjustment). Completion subject to satisfaction of certain conditions.**
- **The transaction will secure for Gencor a major international portfolio of assets and consolidates Gencor's position as a world class natural resources group.**
- **Gencor will contribute its ordinary shares in Richards Bay Minerals and the Sao Bento gold mine which, together with the Billiton Assets, will form Billiton International, a major new natural resources group controlled by Gencor.**
- **Debt funding, without recourse to Gencor, from a syndicate of international banks and from bonds exchangeable into the equity of Billiton International. Gencor will also contribute US$335 million in cash.**
- **Benefits for Gencor include:**
  - **internationalisation and diversification;**
  - **enhanced exploration capability;**
  - **assured sourcing of bauxite and alumina for Alusaf and ferro-nickel for Columbus; and**
  - **new international marketing outlets.**

Certain of the joint venture assets are subject to agreements in which pre-emption rights, which would normally arise on a change of control, are vested in joint venture partners. Other than in respect of Aughinish, the relevant joint venture partners have indicated their agreement in principle for the purchase by Gencor. Discussion with these partners are continuing and are expected by Shell to result in a satisfactory outcome.

The acquisition of the Boké mine, which supplies bauxite to Aughinish, is linked to the acquisition of Aughinish. In the event that Aughinish and Boké are not ultimately included in the Billiton Assets, the price payable of US$1,219 million will be reduced accordingly.

DUE DILIGENCE
Gencor and the banks which are to provide the acquisition facilities have conducted an extensive due diligence exercise. Technical and environmental issues were evaluated principally by Hatch Associates of Canada, and financial and accounting issues by KPMG. Linklaters & Paines co-ordinated the evaluation of legal issues and engaged local firms of lawyers in countries where they were not represented. The programme was supervised by a team of specialist Gencor managers drawn from relevant disciplines, and by representatives of the banking consortium having technical, mining and financial expertise.

Particular attention was paid to environmental issues and, where uncertainty existed, second opinions were sought from Steffen, Robertson & Kirsten. Gencor's internal financial assessment has taken account of identified environmental liabilities.

MANAGEMENT
Gencor and Shell will be jointly involved in the management of the Billiton group until completion of the transaction, whereafter Gencor will assume sole responsibility. An important asset being acquired and retained by Gencor as part of the overall transaction is the Billiton management team. This will ensure continuity over the period of change in ownership, and also constitutes a nucleus of internationally experienced executives for the pursuit of future opportunities. A small number of appointments to Billiton International will be made from within Gencor. In particular, Mr. David Munro, formerly in charge of Gencor's manganese interests, has been appointed Managing Director designate of Billiton International.

FUNDING OF THE ACQUISITION
Based on an anticipated reduction in net capital employed of US$90 million, the price of US$1,219 million is expected to be adjusted to US$1,129 million. In addition, Gencor has committed to making a capital injection of US$15 million into BMS in Suriname following completion of the transaction. Accordingly, the total required resources are expected to be US$1,144 million which will be funded as follows:

	Notes	US$ million
Cash	(1)	335
Drawdown under debt facilities	(2)	509
Exchangeable bonds	(3)	300
		1,144

(1) Cash
Gencor will provide approximately US$335 million in cash, most from the sale of certain non-core offshore assets, including the shareholding in TransAtlantic Holdings PLC and Gencor's North Sea interests.

(2) Acquisition debt facilities
A group of international banks is in the process of arranging seven year acquisition debt facilities amounting to US$430 million for the new Billiton International group, together with a US$170 million revolving facility to refinance and, as necessary, to supplement working capital.

The facilities will be structured so that the banking syndicate will not have recourse to Gencor or to Billiton's interest in RBM. The loans will, however, be secured on tha other principal assets of the Billiton group, and on dividends paid by RBM to Billiton.

The terms of this funding package reflect the complexity and unusual features of the overall transaction and the fact that the Billiton Assets had not previously been structured in a single integrated group with its own consolidated financial history. The margins are higher than those at which corporate debt would normally be available to an established enterprise engaged in similar activities to those of Billiton International. Accordingly, provision has been made in the relevant agreements for pre-payment of the banking finance without premium or penalty, and it is a priority for Gencor that the debt be refinanced on conventional terms well before final redemption.

(3) Exchangeable bonds
Billiton Group (BVI) Limited, a wholly-owned subsidiary of Billiton International, will issue exchangeable bonds with a nominal value of US$300 million, for which a member of the Shell group will subscribe. Bondholders will have no recourse to Gencor. They may at any time elect to exchange their bonds for ordinary shares in Billiton International in accordance with the table below, failing which, the bonds will be redeemed in 2004. The bonds will not bear interest until 1 July, 1997, but will be entitled to a percentage of any Billiton International dividend payments in accordance with the table below:

		Approximate exchange % of equity	Approximate % of dividends
Before	30.6.95	29.5	27.5
	30.6.96	27.0	25.0
	30.6.97	24.5	22.5
After	1.7.97	22.0	20.0*

*Subject to a minimum coupon rate of 5 per cent. from 1 July, 1997.

(4) Financing costs
An important objective during the funding negotiations – when the market price of aluminium was below US$1,200 per tonne – was that the aggregate financing costs should not prove excessive during the first two or three years, when the risk of a continuing low aluminium price was perceived to be material; the expectation of a higher aluminium price thereafter seemed reasonabla. The Board of Gencor believes that the combined package of debt and exchangeable bonds reasonably achieves this objective. For tha purposes of Gancor's internal projections, and should the current 3 month US$ LIBOR-rate of 4 13/16 per cent. persist, Billiton's effective funding cost on the combined debt and exchangeable bond package would, in the absence of bond conversion and dividand payments, be approximately 5.2 per cent. per annum.

CONDITIONS PRECEDENT
Completion of tha transaction will be subject, *inter alia*, to the following conditions precedent:

- the finalisation of the funding arrangements;
- receipt of outstanding pre-emption waivers and consents;
- receipt of certain othar consents, including that of the European Union Merger Commission; and
- Gencor shareholders' approval.

It is currently anticipated that the transaction will be completed around the end of the third quarter of 1994. Should the conditions not be satisfied by 31 December, 1994 the transaction may not proceed. Gencor shareholders are advised to exercise caution in dealing in their Gencor shares until the completion of the transaction is confirmed.

FINANCIAL PERFORMANCE, EFFECTS AND PROSPECTS
The Billiton Assets represent a combination of companies, operations, assets and joint ventures which have not been reported on as a single entity in the past. An aggregated financial history for the Billiton Assets based on the financial results of the individual operations is set out in an Accountant's Report by KPMG to be published in a circular to be sent to Gencor shareholders shortly. The table below sets out certain key financial information drawn from that report:

Year ended 31st December	1989	1990	1991	1992	1993
Profit/(loss) before interest and tax (US$m) (Note 1)	345.7	154.0	19.7	(17.2)	(3.2)
Capital expenditure (US$m)	171.6	353.4	65.9	61.0	34.6
Depreciation (US$m)	61.9	79.0	107.9	135.1	133.6
Average aluminium price ($/tonne) (Note 2)	1,955	1,640	1,303	1,255	1,139

Notes:

1. After depreciation and minority interests but before the effect of material items that are not regarded to be of a sustainable nature, principally certain foreign exchange gains and losses, provisions for redundancy costs, and gains and losses on disposals of investments.
2. London Metals Exchanga ("LME") cash price for 99.7% purity aluminium (source: Datastream).

Following the acquisition, Gencor will apportion the total purchase price to the assets and liabilities acquired in accordance with generally accepted accounting principles and will determine appropriate economic lives to apply in calculating future depreciation charges. Certain other changes in accounting policies may also be required to bring Billiton International's accounting policies in line with those of the Gencor group.

Pro forma attributable income for 1993 for the enlarged Gencor group, including the Billiton Assets, is set out below. This is based on Gencor's pro forma results for the 12 months ended 31 August, 1993 and on aggregated adjusted financial information for the Billiton Assets in respect of the 12 months to 31 December, 1993, translated at the average Commercial Rand rate for the period of US$1 = R3.27. Gencor's pro forma results assume that the distribution in 1993 of certain assets to its shareholders had been completed at the commencement of that financial year. Adjustments made to the results reflect estimates of revised asset lives and values for the Billiton Assets and estimates of tha funding costs and arrangements, and taxation charges that would have been applicable had the assets been grouped in the proposed acquisition structure.

	Pro forma Gencor	Pro forma enlarged Gencor	Change
Pro forma 1993 attributable income			
R million	612	556	(9.2%)
Cents per share	44.5	40.4	(9.2%)

The above pro forma attributable income for tha enlarged Gencor group assumes conversion of the exchangeabla bonds and, accordingly, a 70.5% shareholding in Billiton International throughout the period.

The results of tha Billiton Assets incorporated in the pro forma attributable income covered a period of relatively depressed prices for aluminium and alumina, sales of which represented approximately 60 per cent. of the total turnover of the Billiton Assets in 1993. The alumina production is largely sold on a contractual basis at prices linked to tha LME aluminium cash price. Gencor has estimated that, had the average aluminium price achieved by tha Billiton Assets during 1993 been approximately US$150 per tonne higher than that actually achieved, there would, on a fully diluted basis, have been no reduction in the enlarged Gencor's pro forma attributable income for the period.

In keeping with group practice, Gencor will equity account for its interest in Billiton International and, accordingly, will include that interest in its balance sheet at cost plus Gencor's share of retained earnings. Even assuming a 29.5% dilution in its holding in Billiton International as a result of the exchangeable bonds' equity conversion rights, tha transaction will have no material initial impact on Gencor's net asset value.

The acquisition of the Billiton Assets will increase Gencor's exposure to the aluminium industry, which has recently shown signs of recovery from its earlier depressed state. Should this trend continue so that the aluminium price were eventually to rise to the levels of four of five years ago, aluminium could conceivably contribute the majority of Gencor's earnings. In that favourable event and in the absence of material changes in its other assets, Gencor might seek to bring about a greater equality between the earnings form its various businesses, possibly by listing Billiton International or a proportion of the combined Gencor/Billiton aluminium interest.

OPINIONS
The Gencor directors are of the opinion that the transaction as a whole is in the best interest of Gencor. The commodities to which Gencor is increasing its exposure through the acquisition of the Billiton Assets have shown signs of recovery in 1994, and given a continuation of the trend, tha Billiton Assets should make a positive contribution to Gencor's earnings in the first full year after the acquisition.

SHAREHOLDER APPROVAL
Shareholders will receive a circular setting out further details of the transaction, including the notice of a general meeting of Gencor shareholders to consider the proposed acquisition. The circular will be posted as soon as practicable. It will include a letter from S.G.Warburg & Co. Ltd. who, together with Warrior International, have provided financial advice to Gencor in this transaction. This letter will contain an opinion, subject to the satisfactory conclusion of final documentation, that the transaction is fair to Gencor.

Gencor's two major shareholders, Sankorp Limited (31.9 per cent.) and Rembrandt Group Limited (13.6 per cent.), have indicated that they intend to vote in favour of the proposed acquisition.

Johannesburg 27 July 1994

INTERNATIONAL COMPANIES AND FINANCE

Kodak profit fall blamed on costs and soft demand

By Richard Waters in New York

Eastman Kodak, the US photographic products group, continued to suffer from strongly rising costs and weak revenue growth in the second quarter, resulting in profits below those expected by most analysts.

The company, in the middle of a shake-up aimed at focusing resources on its imaging business, was also held back by the weak dollar and one-off costs, including a write-down of some inventory.

"We have said before that 1994 would be a challenging year," said Mr George Fisher, the company's recently appointed chairman and chief executive.

The latest quarter's figures had also been harmed by "a continued softness in demand in our office imaging business," he added.

Since Mr Fisher took charge Kodak has announced plans to sell its non-imaging businesses, including Sterling Winthrop, the drugs company. Selling the health businesses is not expected to lead the company to report a book loss, Mr Fisher said.

Costs during the latest three months rose by 6 per cent, to $3bn, while revenues edged up only 2 per cent, to $3.5bn. Kodak also announced after-tax charges of $30m for write-downs of some inventory and servicing agreements. It refused to give further details of the charges.

After-tax earnings for the period, at $264m, or 79 cents a share, were down from $371m, or $1.13, a year ago.

The decline also reflects the falling US dollar. Currency differences accounted for a $57m decrease in net earnings compared with the year before, and $107m in the first half as a whole.

The company said this was partly the result of the ending of beneficial currency hedges which had boosted profits last year. It declined to give details of its hedging strategy, or the other factors that contributed to the negative currency effect.

For the first half of the year, net income fell to $346m, from $520m (before accounting changes) in the first six months of 1993.

Jump at Case helps Tenneco climb 67%

By Richard Waters

Tenneco, the diversified US industrial group, recorded a 67 per cent rise in net income in the second quarter. The improvement follows stronger operating earnings from most of its businesses, especially the Case farm machinery business.

Mr Dana Mead, chairman and chief executive, predicted "stronger operating results overall" in the second half of the year. The strength of the US economy and a recovery in Europe, as well as Tenneco's own quality-improvement programme supported this outlook, he said.

Case, 29 per cent of whose shares were floated recently, recorded a jump in operating income to $111m, from $54m the year before, on revenues up 4 per cent to $1.1bn.

The company attributed this advance largely to demand from dealers replenishing their inventories, especially in North America, where production was up 20 per cent.

Among other divisions, the biggest profit increases came in packaging, up 47 per cent to $44m; natural gas, which recorded a rise of 17 per cent to $99m; and automotive parts, up 11 per cent to $82m (before a one-off charge of $5m).

The company's packaging operations were helped by the industry-wide increases in containerboard pricing. In addition, Tenneco said it was operating at full capacity in plastic-container products, and was installing new equipment to expand its production by 10 per cent by the end of the year in this area.

The natural gas business benefited from a new rate structure, which the company said would even out highs and lows throughout the year. The automotive business, meanwhile, advanced on high new car production in North America.

Placer Pacific figures improve before tax

By Nikki Tait

Placer Pacific, the Sydney-based mining group which is controlled by Canada's Placer Dome but quoted separately on the Australian stock exchange, yesterday reported after-tax profits of A$41.3m (US$30.8m) in the six months to end-June, down from A$50.4m a year ago.

The company said, however, that the 1993 figures had been boosted by tax adjustments, totalling A$33.7m.

At pre-tax level, and before outside equity interests in earnings, Placer Pacific's operating profits rose to A$72.9m, compared with A$37.4m in the previous year.

The company said higher gold production and sales, and lower operating costs and depreciation charges explained the improvement.

The average price received per ounce of gold was A$544 in the six-month period, A$38 higher than in the first six months of 1993-94.

Placer, operator of the large Porgera gold mine in Papua New Guinea, also revealed that estimated reserves there have been increased to 9.4m ounces of gold, from 8.5m previously.

It said the upgrading of the reserves was due "mainly to the increase in the resource reported in the May 1993 update and additional underground reserves in the West Zone stopes".

Placer Pacific holds a 25 per cent stake in the mine, with Highlands Gold (which is controlled by Queensland's MIM), Renison Goldfields and the PNG government having similar one-quarter interests.

Earnings dive 74% at Bear Stearns

By Patrick Harverson in New York

Bear Stearns followed other big Wall Street firms yesterday with a large drop in quarterly earnings, blamed on sharply lower trading and investment banking revenues.

The securities firm said net income in its fiscal fourth quarter, which ended on June 30, fell to $32.4m from $124.8m a year ago, a drop of 74 per cent. Revenues, net of interest expense, fell 37 per cent over the 12 months, to $429.9m.

The weak final quarter, however, was not enough to stop the firm posting record profits of $387m, against $362.4m, for its fiscal year, and a record pre-tax return on equity of 38.7 per cent.

The record results were achieved because earnings were so strong in the first two quarters.

The problems encountered by Bear Stearns in the latest quarter have afflicted the entire US securities industry. Demand from companies for underwriting services, and from investors for broking services, fell precipitously this year in the wake of sharply higher US interest rates.

The rise in rates has also created a turbulent environment for trading in financial markets, and many firms' trading profits have fallen as a result. Bear Stearns, like many others, has been especially hard-hit by turmoil in the mortgage-backed securities markets.

Its biggest decline in the latest quarter was in its principal transactions business – where the firm trades its own money – which recorded a 66 per cent drop in revenues to $127.7m.

Investment banking revenues fell 31 per cent to $94m, but revenues from commissions, boosted by increased clearance, futures and institutional activity, climbed slightly to $124.3m.

Rank, Coles withdraw bid for Foodland

By Nikki Tait in Sydney

Coles Myer, one of Australia's largest retailers, and Rank Commercial, the New Zealand-based company owned by Mr Graeme Hart, yesterday withdrew from their A$501m (US$372m) takeover assault on Foodland Associated, the Western Australian grocery business.

Had the offer, to be made by a subsidiary of Rank and funded by borrowed money, gone ahead, Rank planned to sell on Foodland's Australian assets to Coles for around A$250m. Foodland's New Zealand interests would have been sold on to Whitcoulls, a stationery and book retailer.

The decision to ditch the bid came after the Australian Federal Court yesterday dismissed the two companies' appeal against a temporary injunction which prevented Coles/Rank from pursuing the offer until mid-September at the very earliest.

This had been successfully obtained by the Trade Practices Commission, Australia's competition watchdog, after it expressed concerns at the potential hold which Coles could obtain over the Western Australian grocery market, and at the lessening of competition generally in the food and liquor retailing sectors.

The Federal Court decision was warmly welcomed by Professor Allan Fels, chairman of the TPC. He declared it to be "a win for consumers and competition policy in the grocery industry".

"The Australian grocery industry is extremely volatile at the moment," he added. "The Commission expects it will continue to be involved to ensure that competition is maintained and the consumer protected."

The Bank/Coles withdrawal leaves Rank holding a 14.9 per cent in Foodland.

Gencor steps boldly into global arena

The Shell package puts the S African group in the top league, writes Kenneth Gooding

With one big, $1.1bn step, Gencor is to make up for the many years when its development as an international mining group was held back by South Africa's political isolation. While its rivals expanded – particularly via the mining booms in Australia and the Pacific Rim countries – Gencor had to confine its traditional mining skills to its native country.

Now, after its deal to buy most of the Royal Dutch/Shell mining and minerals assets operating under the Billiton banner, Gencor will, if all goes well, by the end of this century control the western world's biggest ferro-nickel business; the second-largest platinum and mineral sands companies; and be among the top three gold producers and the top five aluminium groups. It will also rank among the top 10 in stainless steel and coal and nickel production.

However, getting to this position has involved a transaction of immense complexity, and one that has taken well over a year to put together.

The struggle was worthwhile, according to Mr Brian Gilbertson, Gencor chairman, who said yesterday: "If we are to rejoin the first league of mining we simply have to operate globally."

Once the deal with Shell is completed, Gencor will be one of the most diversified international resource groups, with income derived mainly from seven world-class commodity businesses: gold (Gengold); platinum (Impala); coal (Trans-natal); ferro-alloys (Samancor); titanium mineral sands (Richards Bay Minerals); alumina and aluminium and nickel.

The Billiton operations, located in 15 countries, fit well with those of Gencor, particularly since the South African group has been "unbundling" its assets to concentrate on mining businesses.

Billiton assets

Asset name	Location	Description	Interest (%)	Production (1993)
Bauxite, alumina and aluminium				
Worsley	Australia	Bauxite mine and alumina refinery	30.00	6m tonnes 1.8m tonnes
MRN	Brazil	Bauxite mine	14.80	8m tonnes
Alumar	Brazil	Alumina refinery	36.00	1m tonnes
		Aluminium smelter	46.35	350,000 tonnes
Valesul	Brazil	Aluminium smelter	41.50	85,000 tonnes
BMS	Surinam	Bauxite mine	76.00	2m tonnes
		Alumina refinery	45.00	1.5m tonnes
Boké	Guinea	Bauxite mine	3.06	11.5m tonnes
Aughinish	Rep of Ireland	Alumina refinery	35.00	1.1m tonnes
Nickel				
Cerro Matoso	Colombia	Nickel mine	52.31	44.5m pounds
Precious Metals				
Bogosu	Ghana	Gold mine	81.23	90,000 troy ounces
Prima Lirang	Indonesia	Gold mine (also silver, barite)	90.00	47,000 troy ounces
Other				
Selbaie	Canada	Copper mine Zinc mine	100.00	33,000 tonnes (1) 54,000 tonnes (1)
Pering (2)	S Africa	Zinc mine Lead mine	100.00	30,000 tonnes (1) 5,000 tonnes(1)
Marketing and Trading	Principally Netherlands UK, France, Germany, Japan	Marketing, trading	100.00	N/A
Commercial & Technical Services	Netherlands	Commercial, technical	100.00	N/A

(1) In concentrate. (2) To be held directly by Gencor

Source: Gencor

Billiton's bauxite and alumina operations in Australia and Brazil can provide essential raw materials for Alusaf, the South African aluminium producer in which Gencor has a 41 per cent interest, and which is completing a $2bn expansion to increase annual capacity to 546,000 tonnes. South Africa has no bauxite reserves, and Alusaf has already agreed to take 400,000 tonnes of Billiton's annual alumina output – and maybe more later.

Billiton's Cerro Matoso mine in Columbia produces ferro-nickel well-suited to the Columbus stainless steel plant in South Africa, in which Gencor has a 33 per cent interest. This will enable the group to export the higher-value nickel it mines in South Africa, which is really of too high a quality to go into stainless production.

These – bauxite and alumina in Australia and Brazil and Cerro Matoso – were the "core" assets Gencor simply had to have for the deal to be worthwhile. The other core asset was Billiton's international marketing and trading organisation, which can provide outlets for the wide range of metals and minerals Gencor produces.

Fashioning a deal to acquire them was complex and time-consuming, partly because Billiton did not exist as a separate corporate entity with its own consolidated financial history. The assets had to be disentangled from Shell operations around the world – to be placed in a new holding company, Billiton International – in a way that would give tax advantages to both Shell and Gencor.

This absence of a Billiton corporation also affected the financing, because there was no "clean" package to offer the banks. Neither could Gencor move cash out of South Africa because of exchange controls. Nevertheless, Gencor has permission to include its 50 per cent share of Richards Bay Minerals as part of its contribution to the deal. The $335m in cash Gencor is contributing will come from the sale of its North Sea oil assets and its shareholding in TransAtlantic Holdings.

Consequently, although Gencor has been able to get non-recourse finance, it is paying well above the usual rate for Billiton's borrowings. It aims to refinance this part of its debt on more conventional terms as soon as possible. Billiton's effective funding cost is a modest average 5.2 per cent, thanks to Shell's contribution to the financing. Shell is taking $300m of bonds exchangeable into Billiton equity. The bonds, which are interest-free for the first free years, can be converted into 29.5 per cent of Billiton's equity in the first year, and a reduced percentage thereafter.

Some 61 per cent of Billiton's revenues come from the bauxite and alumina interests. Indeed, when the aluminium market fully recovers from the worst recession in its history, aluminium could conceivably contribute most of Gencor's earnings. If that time comes, Gencor might attempt to balance earnings by floating Billiton or part of the aluminium assets. Mr Gilbertson pointed out that a combination of Alusaf and the Billiton up-stream operations would produce the fifth-largest integrated aluminium business in the world.

He added: "At low [aluminium] prices, the deal has little appeal. At high prices, the returns are huge. If our estimate of the medium-term price trends are anywhere near correct, then this parcel of assets will prove to be very valuable, and the price we have paid [$420m in assets plus $335m cash for at least 70.5 per cent of a group with assets worth $1.2bn] to have been cheap."

Northern Telecom shows improvement

By Bernard Simon in Toronto

Northern Telecom's share price jumped yesterday after the Canadian telecommunications equipment maker's second-quarter earnings raised hopes that its problems of the past few years might be receding.

Net earnings were US$37m, or 15 cents a share, compared with a $1.03bn loss, equal to $4.13 a share, a year earlier.

Last year's results included one-time restructuring and other charges of $940m. Revenues rose by 14 per cent to $2.12bn.

Northern's shares gained 88 cents to $31.38 on the New York stock exchange in early trading yesterday.

Mr Lap Lee, an analyst at Gordon Capital in New York, described Northern as staging a turnround. "Slowly but surely, they're coming back," he said.

The Toronto-based company has been bedevilled in recent years by a variety of setbacks, including fierce competition, delays in new product development and management upheavals.

Mr Jean Monty, chief executive, expressed satisfaction with the results in "this year of transition". He said Northern's financial condition had been improved by cost-cutting and the sale of several businesses.

The trend towards improved year-on-year earnings will continue in the second half, Mr Monty predicted.

The recent improvement is due largely to stronger demand for central office switches, especially in the US, partially offset by a sharp fall in orders from Canadian phone companies.

Revenues also picked up in the Far East and Latin America, while multimedia communications systems enjoyed a double-digit sales increase.

Northern has put a high proportion of recent investments into international marketing and new products. The latter include a portfolio of wireless phone equipment, in which Northern had lagged behind its rivals.

JCI posts unexpected rise in gold revenues

By Mark Suzman in Johannesburg

Johannesburg Consolidated Investments, the South African mining house due to be spun off to black investors, has reported an unexpectedly good increase of 4.9 per cent in its gold revenue for the June quarter to R539.1m ($148m) from R513.9m in the previous three months.

Although overall production declined 3.8 per cent to 2.55m tonnes from 2.67m tonnes, due to extra election-related public holidays, a higher gold price received and an improved average yield to 4.69 grammes per tonne from 4.78 grammes per tonne helped boost results.

At the group's Western Areas mine, the steel drum shaft failure that affected the previous quarter's production was repaired at a cost of R11.5m and net profit after tax improved to R43.16m from R23.48m. H. J. Joel also showed a significant improvement, converting an operating loss of R0.8m in the March quarter to a R1m operating profit due to higher gold production at 849kg, up from 828kg.

Improved cost containment at Randfontein estates, however, was unable to offset lower throughput on the mine as gold production dropped 9.9 per cent to 7,562kg from 8,392kg. Operating profit decreased 3.8 per cent to R134.7m from R119m.

Development at JCI's South Deep project also progressed, and exploration expenditure for the first six months of the year amounted to R29.5m, up from R12.2m last year.

JCI said plans were well advanced to combine the mining interests at Western Areas with its South Deep mine, creating a giant new mine with large gold reserves.

Under the plan, South Deep would provide funding to allow Western Areas to mine the ore and return to profit. This would allow South Deep to make use of Western Areas' skills and equipment while capital expenditure at the former mine could be used to write off some of the other's profit, improving its tax position.

Disposals and mergers boost AECI at halfway

By Mark Suzman

AECI, the South African chemicals producer, shrugged off politically-related labour disruption to record a rise in attributable profit, to R107m ($28.9m), for the six months to June. This compares with R75m for the same period last year.

Although turnover dropped to R2.48bn from R2.78bn, net profit before abnormal items rose to R82m from R61m. However, the year-on-year figures are not directly comparable because of transactions during the reporting period which changed the structure of the company.

These included the disposal of 51 per cent of the group's explosives business to ICI, and the purchase of 50 per cent of Afex Holdings. In addition, AECI merged its chlor-alkali, plastics and other downstream operations with the ethylene, propylene and polypropylene operations of fellow South African chemical producer Sasol. AECI retains a 40 per cent stake in the new venture, called Polifin.

The transactions reduced turnover. However, investment income surged to R32m from a loss of R7m last time, largely because the Afex acquisition was equity-accounted. A R324m surplus on the ICI deal was included as an abnormal item. Tax paid dropped to R27m from R39m, but a R4m charge for the 5 per cent one-off transitional levy imposed on all South African companies in the June budget was also included as an abnormal item.

Chevron disappoints as margins slip in quarter

By Richard Waters in New York

Chevron, the San Francisco-based energy group, turned in worse-than-expected results for the second quarter as profit margins at its refining and marketing operations slipped further than those of other big US energy companies.

Like others, Chevron's downstream earnings were hit by the rising oil price, which pushed up the cost of supplies.

Mr Ken Derr, chairman and chief executive, said US profit margins in particular had suffered, with a rise in the oil price of around $3 a barrel from a year before and an increase in prices of refined products of only $1 a barrel.

US downstream operations recorded a loss of $42m, against a profit of $97m (before restructuring charges), while the non-US refining and marketing business saw profits fall to $27m from $107m.

Upstream earnings of $152m were higher than the first three months of the year but failed to match the year-ago quarter's $207m.

Overall, after-tax profits in the period were $257m (after a $5m charge), against $50m (after special charges of $515m) the year before.

Earnings per share were 39 cents, up from 8 cents a year ago (or 87 cents before charges). For the first six months, net income was $645m (after charges of $41m), compared with $551m (after charges of $517m).

Daewoo sales surge 28% in first half

By John Burton in Seoul

Daewoo, South Korea's fourth-largest conglomerate, reported a 28 per cent increase in sales to Won16,400bn ($20.4m) for the first half of 1994, according to preliminary results. The group expressed confidence that it could achieve its sales target of Won35,500bn for 1994.

Net profits were Won293.5bn – the first time that Daewoo has revealed first-half earnings for the entire group. Net profits for all of 1993 were Won464bn.

Daewoo Corporation, the group's trading and construction unit, reported a 25 per cent rise in net profits to Won30bn as sales grew by 19 per cent to Won5,100bn. Daewoo Heavy Industries, a machinery producer, had a sharp rise in profits to Won20bn from Won2bn in the first half of 1993 as sales rose by 35 per cent to Won500bn, reflecting growing exports of excavators and machine tools.

Daewoo Motor reported a 56 per cent increase in sales to Won1,450bn, the biggest rise in turnover among the group's main companies. The car company broke even after suffering a Won85bn loss in 1993.

The improved performance of the car division was due to the introduction of two models, the Arcadia and the Cielo, and lower production costs.

Daewoo Shipbuilding, which will merge with Daewoo Heavy Industries in October, had the largest group profits at Won130bn, an increase of 40 per cent. Sales grew by 45 per cent to Won1,100bn. The rise in profits reflected the increased production of high value-added ships and absence of labour disputes.

Daewoo Electronics had a 28.5 per cent growth in profits to Won18bn as sales rose 33 per cent to Won1,275bn. Domestic sales rose by 34 per cent and exports increased by 33 per cent, with Daewoo becoming South Korea's leading exporter of colour televisions.

Daewoo Telecom profits doubled to Won4bn, although sales fell 6 per cent to Won220bn.

American Express down 14%

By Richard Waters

Net profits at American Express fell 14 per cent in the second quarter of 1994. It blamed lower profits at Lehman Brothers, the investment bank spun off during the period. Excluding Lehman, the financial services group's earnings would have risen 19 per cent to $359m, on the back of higher spending on charge cards and other products.

Lehman, which last week revealed its second-quarter results had suffered from poor trading conditions in financial markets, was accounted for as a discontinued item.

American Express reported net income of $357m, or 69 cents a share, on revenes of $3.5bn, compared with $416m, or 83 cents, on revenues of $3.3bn a year before.

The growth in earnings from continuing operations was driven by a 12 per cent rise in spending billed to the company's cards to $34.6bn. The total number of cards was 5 per cent higher than a year before.

Card fees fell slightly to $431m, reflecting competition between issuers, but revenues from fees charged to merchants, which have been under pressure in recent periods, rose 9 per cent to $983m.

American Express also reported continued profit growth at its IDS Financial Services subsidiary, up 21 per cent to $109m.

For the first six months, net income was $710m against $659m the year before.

Pilots offer USAir $750m deal

By Frank McGurty in New York

Pilots at USAir, the sixth-largest carrier in the US, have offered to make $750m in payroll concessions over five years in exchange for an equity position in the airline.

The proposal, submitted by the Air Lines Pilots Association, was a response to USAir's call for $1bn in overall cost reductions by 1997.

The initial reaction by USAir, in which British Airways has a 22 per cent stake, was positive. The airline said it was "pleased" the pilots "recognised the need to move forward and was looking forward to discussions" over the union's ideas.

Further talks between the two sides had not been scheduled, however.

The development comes just two weeks after shareholders of UAL, parent of United Airlines, approved a plan giving its employees a 55 per cent stake in the carrier in exchange for pay cuts and changes in work rules.

The offer by USAir's pilots envisages a "restructuring" of the carrier's financial obligations, and a "substantial" influx of fresh capital.

In return for average annual pay reductions of $150m, the pilots are seeking "substantial investment returns through equity, preferred stock and profit sharing". The union said it would complete the details of its proposal this week, and present them "shortly".

INTERNATIONAL CAPITAL MARKETS

Short-dated Treasuries steady ahead of auction

By Frank McGurty in New York and Conner Middelmann in London

Short-dated US Treasury bonds held steady in very light trading yesterday morning as traders awaited the results of an afternoon supply auction. The long end gave back most of the previous session's gains.

By midday, the benchmark 30-year government bond was $\frac{5}{32}$ lower at $84\frac{11}{16}$, with the yield rising to 7.546 per cent. At the short end, the two-year note was unchanged at $99\frac{25}{32}$, to yield 6.101 per cent.

The uncertainty surrounding the Treasury's sale of $17.25bn in new two-year notes kept activity across the board to a minimum. The prospects for a smooth sale were complicated by the threat of an imminent move by the Federal Reserve to boost short-term rates. Some traders said the issue would not prove attractive unless it was awarded a 6.25 per cent yield, well above current levels.

GOVERNMENT BONDS

Most of the action was concentrated on the long end of the maturity range, where traders unwound curve-flattening positions set on Monday. A flurry of trading was expected at the short end once the market had an idea of the level of demand that would surface in the anction.

The day's economic news had no discernihle impact, although it provided further support for a scenario which sees the Fed delaying its next move to tighter credit.

The Conference Board, an industry group, said its July index of consumer confidence was 91.6, a decline on June's 92.5. However, analysts had predicted a rednction.

After the two-year auction, the market was facing the sale of $11bn in five-year notes this afternoon.

■ European government bonds ended yesterday's session slightly weaker, weighed down by the prospect of new supply in several markets and by the softer tone in the US.

Once again, most of the activity took place in the futures pits. With many players away on their summer holiday, futures volume has shrunk significantly, which means that even fairly small transactions can sometimes move prices substantially.

■ Italian bonds posted the sharpest losses of the day, plagued by worries that the judicial investigation into Prime Minister Silvio Berlusconi's holding company Fininvest could trigger another political crisis.

Political jitters triggered a sharp slide in the futures market towards the close. In after-hours trading on Liffe, the September BTP future was down about 1.38 points at 102.60.

Further weighing on the market's mood is the prospect of L7,000bn of new supply late this week and next Monday.

"The total amount sounds relatively small, but there are no bonds maturing," so the authorities need to raise new money, said Mr Jouni Kokko, international economist at SG Warburg Securities.

■ UK gilts shed nearly half a point, weighed down by the latest CBI report (showing manufacturing output growing rapidly), selling ahead of today's gilt auction and weaker continental European markets.

The Bank of England today is due to issue £2bn of 6.25 per cent gilts due 2010 – the first time since January that it is issuing a long-dated conventional stock.

While there was not much evidence of strong retail interest, some traders said they expected demand from UK funds with long-dated liahilities and some overseas investors seeking exposure to sterling assets as the currency has stabilised at a lower level.

■ German bunds ended slightly weaker on thin volume as traders awaited today's auction of 6.25 per cent five-year notes for the Treuhandanstalt, Germany's privatisation agency.

Traders reported scant retail demand for the deal, which is expected to total around DM4bn–5bn. The September bund future on Liffe slipped by 0.25 points to 93.69.

■ French bonds again slightly outperformed Germany as foreign buying continued, especially in the futures pits. The September notional government contract on Matif rose hy 0.16 points to 117.78.

Regulators given guidance on risk

The Basle committee guidelines on managing risk in derivatives – issued yesterday to banking supervisors – emphasise that dealers should be guided by written policy documents laying out how much risk banks' directors will tolerate.

They say that bank boards should be informed regularly of the risk exposure of their institution, and re-evaluate their risk management policies consistently. They say boards must also ensure clear lines of management responsibility.

Those dealing foreign exchange, derivatives and other traded instruments should be able to mark their positions to market prices at least daily, while some bigger institutions should be ahle to do so in real-time.

The Basle guidelines say hanks should emphasise strongly assessments of credit risk to companies to which they are selling complex and over-the-counter derivative products such as swaps, which may carry exposures for several years.

They say the heavy use of computerised systems in the trading of derivatives means banks must make contingency plans for interruptions to normal processing. Ragular reviews of technical equipment may help reduce risks.

The Basle guidelines say that banks should review the legal structure of the countries in which they are operating hefore entering derivatives transactions, to make sure their customers' obligations can be legally enforced.

Guidelines issued simultaneously by the technical committee of the International Organisation of Securities Commissions say evolving technology permits "the engineering of increasingly complex financial instruments".

Iosco says this also allows market participants to unbundle different forms of risk. The products "have risk profiles that are more difficult to analyse than simpler, one-dimensional financial products".

Iosco's guidelines say there are some differences in perspective with the Basle guidelines because of traditional differences of supervisory style, but both banks and securities regulators believe in strong management controls.

The Iosco guidelines say:

● The framework of risk management policies overseen by boards of directors should specifically cover derivatives activity, establish responsibility for its implementation and provide for accurate and timely management reporting.

● The speed of evolution and complexity of derivatives products means firma should devote "adequate resources" to all aspects of risk management controls, including back office systems, accounting and supervision.

● Firms should use risk reduction techniques, such as master agreements, netting exposures, collateralising transactions and third party credit enhancement, including letters of credit and guarantees.

● Firms should – both on an entity and group basis – be able to make accurate risk valuations daily and to identify concentrations of risks. Exposures may be netted providing netting arrangements are enforceahle.

● Management controls should provide for independent credit risk management at the firm. This would set measurement standards and credit limits, and review leverage, concentration and risk reduction measures.

John Gapper

Kleinwort to double size of China fund

By Antonia Sharpe

Kleinwort Benson is seeking to double the size of its China investment and development fund to $120m through a placing of naw shares and warrants.

The subscription period for the new shares, likely to be priced at a small premium to the $10.50 issue price of the old shares, will close in early October. The fund plans to pay its maiden dividend next year.

Existing shareholders will not have pre-emptive rights in respect of the placing, hut they will be rewarded with one free warrant for every five shares they hold. By contrast, new subscribers will have to pay for the warrants.

The fund, which was launched two years ago, has now invested $54.6m in 10 unlisted Chinese companies.

European Community limits issue to Ecu220m

By Antonia Sharpe

The European Community had the eurobond market to itself yesterday for the launch of its widely-expected Ecu-denominated offering of seven-yaar bonds, although the amount raised, Ecu220m, was below expectations of Ecu300m.

INTERNATIONAL BONDS

Proceeds are expected to be on-lent to countries in eastern Europe and northern Africa. It is believed that the issue's smaller than expected size resulted from the failure of one of the loan beneficiaries to complete the paperwork in time. However, syndicate managers expect the issue to be increased to Ecu300m later.

An EC official said competition to arrange the deal had been fierce, with 10 houses bidding for the mandate. However, since the EC wanted to take advantage of strong retail demand, which has heen fanned by high redemptions of Ecu bonds this year and the Ecu's good performance recently, it decided not to pick the most aggressive hid.

The official said other factors had been taken into consideration, such as the lead managers' large retail networks in continental Europe and their commitment to the secondary market in Ecu bonds. "It was not the time to experiment with new people," he said.

As expected, the bonds were priced to yield well below the the French government's Ecu bonds, at 11 basis points through the interpolated yield curve. The pricing dulled the bonds' appeal to institutions but the current coupon of 7¼ per cent and the short payment date were clearly designed to attract retail investors.

According to joint lead manager SBC, Ecu9.5hn worth of bonds have been redeemed so far this year hut there has only been Ecu4bn of new issuance. A further Ecu5bn is expected to be redeemed by the end of the year.

In addition, the Ecu has been performing well against other European currencies, reflecting a resurgence in belief among investors that the core European states will not give up on monetary union and the single currency. In the past week alone, the yield spread between five-year French government Ecu notes and five-year Treuhand D-Mark notes has narrowed from 118 basis points to 102 basis points.

Elsewhere, favourable swap opportunities prompted a flurry of Swiss franc issues, with BNG raising SFr250m through an offering of four-year bonds and Sweden launching a SFr150m five-year issue.

● Portugal has signed a $2bn global multi-currency medium-term note programme. Lehman Brothers acted as global arranger.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
YEN							
New South Wales Treas.Corp.(a)	10bn	3.15	100.20	Feb.1997	0.15	-	Nomura International
ECUS							
European Community	220	7.25	99.31R	Aug.2001	0.30R	-11 (b)	Swiss Bank Corp.
AUSTRALIAN DOLLARS							
Queensland Treasury Corp.★	100	4.50#	90.659	Aug.1997	1.375	-	Nomura International
SWISS FRANCS							
BNG	250	5.00	102.00	Sep.1998	1.75	-	Credit Suisse
Kingdom of Sweden	150	5.125	102.25	Sep.1999	-	-	Swiss Bank Corp.
LUXEMBOURG FRANCS							
ING Bank	2.5bn	8.00	102.40	Sep.2004	2.00	-	BGL

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. ★Unlisted. #Semi-annual coupon. R: fixed re-offer price; fees are shown at the re-offer level. a) Short 1st coupon. b) Spread relates to interpolated yield on French Govt Ecu bonds.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.000	09/04	96.5200	+0.310	9.54	9.33	9.76
Belgium		7.250	04/04	98.0500	+0.210	7.84	7.79	7.90
Canada *		8.500	06/04	82.4000	-0.300	9.26	8.96	9.37
Denmark		7.000	12/04	94.0000	+0.280	7.86	7.99	8.22
France	BTAN	8.000	05/98	104.5000	-0.130	6.62	8.66	6.68
	OAT	5.500	04/04	88.3000	-0.160	7.21	7.20	7.38
Germany Bund		8.750	05/04	99.7300	-0.270	6.78	6.72	6.96
Italy		8.500	01/04	88.0000	-1.000	10.54†	10.27	10.23
Japan	No 119	4.800	06/99	104.6530	-0.090	3.68	3.57	3.57
		4.100	12/03	98.0700	-0.390	4.39	4.30	4.24
Netherlands		5.750	01/04	92.3600	-0.140	6.87	6.76	7.04
Spain		8.000	05/04	85.7000	-0.050	10.38	10.26	10.50
UK Gilts		8.000	08/99	92-00	-3/32	7.96	7.78	8.38
		6.750	11/04	89-13	-12/32	8.29	8.13	8.50
		9.000	10/08	105-01	-12/32	8.38	8.27	8.58
US Treasury *		7.250	05/04	99-28	-2/32	7.27	7.15	7.26
		6.250	08/23	84-24	-6/32	7.55	7.48	7.54
ECU (French Govt)		8.000	04/04	88.7300	-0.380	7.88	7.68	7.87

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime — Treasury Bills and Bond Yields

		One month	4.21	Two year	6.12
Prime rate	7¼	Two month	4.34	Three year	6.42
Broker loan rate	5½	Three month	4.54	Five year	6.89
Fed.funds	4¼	Six month	5.01	10-year	7.27
Fed.funds at intervention	-	One year	5.53	30-year	7.55

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	117.72	117.78	+0.16	117.82	117.18	151,515	124,011
Dec	116.90	116.90	+0.12	116.90	116.58	3,092	14,475
Mar	116.20	116.20	+0.12	116.20	115.88	660	2,583

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Aug	Calls Sep	Calls Dec	Puts Aug	Puts Sep	Puts Dec
115	-	-	-	-	0.43	-
116	-	-	2.80	0.04	0.68	1.95
117	-	1.61	2.10	0.22	0.95	-
118	0.34	1.00	1.57	0.60	1.38	-
119	0.06	0.56	-	-	1.92	-

Est. vol. total, Calls 26,805 Puts 43,203. Previous day's open int., Calls 373,465 Puts 380,661.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	93.94	93.67	-0.27	94.01	93.56	93965	166718
Dec	93.22	93.03	-0.27	93.22	93.10	410	14140

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Sep	Calls Oct	Calls Nov	Calls Dec	Puts Sep	Puts Oct	Puts Nov	Puts Dec
9350	0.91	0.90	1.18	1.28	0.74	1.37	1.65	1.73
9400	0.64	0.70	0.97	1.03	0.97	1.67	1.94	2.00
9450	0.43	0.52	0.79	0.82	1.26	1.99	2.26	2.29

Est. vol. total, Calls 8143 Puts 6234. Previous day's open int., Calls 260180 Puts 260607

■ NOTIONAL MEDIUM TERM GERMAN GOVT. BOND (BOBL)(LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	-	98.51	-0.07	-	-	0	76

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	103.75	102.68	-1.30	103.86	102.55	37088	77238
Dec	-	101.68	-1.20	-	-	0	146

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Sep	Calls Dec	Puts Sep	Puts Dec
10250	1.69	2.59	1.51	3.41
10300	1.45	2.38	1.77	3.70
10350	1.20	2.18	2.02	4.00

Est. vol. total, Calls 952 Puts 1180. Previous day's open int., Calls 36285 Puts 32059

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	90.77	90.76	+0.04	90.86	90.59	29,093	102,571
Dec	-	90.00	-	-	-	-	610

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	103-05	102-30	-0-12	103-17	102-28	48666	117061
Dec	-	102-04	-0-12	-	-	0	1408

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Sep	Calls Dec	Puts Sep	Puts Dec
102	1-61	3-01	1-01	2-57
103	1-24	2-35	1-28	3-27
104	0-60	2-09	2-00	4-01

Est. vol. total, Calls 10111 Puts 5501. Previous day's open int., Calls 67627 Puts 53288

Ecu

■ ECU BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	85.50	85.48	-0.02	85.50	85.00	929	7,538
Dec	-	85.04	-0.02	-	-	-	-

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Sep	103-03	102-22	-0-12	103-04	102-20	179,428	389,234
Dec	102-06	101-29	-0-12	102-09	101-28	537	60,499
Mar	101-13	101-06	-0-05	101-13	101-06	2	4,266

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Sep	109.25	-	-	109.48	109.24	1887	0
Dec	108.35	-	-	108.50	108.35	156	0

* LIFFE contracts traded on APT. All Open Interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Tue Jul 26	Day's change %	Mon Jul 25	Accrued interest	xd adj. ytd		Low coupon yield Jul 26	Jul 25	Yr. ago	Medium coupon yield Jul 26	Jul 25	Yr. ago	High coupon yield Jul 26	Jul 25	Yr. ago
1 Up to 5 years (24)	121.47	+0.04	121.93	1.42	6.91	5 yrs	8.01	8.01	6.85	8.22	8.22	7.02	8.29	8.28	7.22
2 5-15 years (22)	141.95	-0.10	142.09	1.93	7.56	15 yrs	8.26	8.26	7.76	8.38	8.36	7.91	8.66	8.69	8.16
3 Over 15 years (9)	158.02	-0.11	158.20	1.28	8.11	20 yrs	8.26	8.26	7.91	8.38	8.36	7.97	8.54	8.60	8.18
4 Irredeemables (6)	181.63	+0.66	180.43	2.24	7.36	Irred.†	8.33	8.39	8.03						
5 All stocks (61)	138.98	-0.05	139.22	1.66	7.48										

Index-linked	Tue Jul 26	Day's change %	Mon Jul 25	Accrued interest	xd adj. ytd		Inflation 5% Jul 26	Jul 25	Yr. ago	Inflation 10% Jul 26	Jul 25	Yr. ago
6 Up to 5 years (2)	187.23	-0.01	187.25	1.59	2.53	Up to 5 yrs	3.67	3.66	2.86	2.60	2.58	2.07
7 Over 5 years (11)	172.14	-0.05	172.23	8.93	3.25	Over 5 yrs	3.66	3.66	3.44	3.67	3.66	3.26
8 All stocks (13)	172.82	-0.05	172.90	0.63	3.16							

Debentures and Loans	Tue Jul 26	Day's change %	Mon Jul 25	Accrued interest	xd adj. ytd	5 year yield Jul 26	Jul 25	Yr. ago	15 year yield Jul 26	Jul 25	Yr. ago	25 year yield Jul 26	Jul 25	Yr. ago
9 Debs & Loans (75)	131.15	+0.27	130.80	2.91	5.87	9.37	9.39	8.58	9.34	9.36	8.86	9.30	9.33	8.99

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	July 26	July 25	July 22	July 21	July 20	Yr ago	High*	Low*
Govt. Secs. (UK)	93.22	93.17	93.43	93.45	93.71	87.94	107.04	90.99
Fixed Interest	111.57	111.54	111.73	111.75	112.07	117.34	133.87	107.33

* for 1994. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974

GILT EDGED ACTIVITY INDICES

	July 25	July 22	July 21	July 20	July 19
Gilt Edged bargains	89.5	90.9	114.5	132.1	128.3
5-day average	111.1	118.3	127.8	125.4	127.6

UK GILTS PRICES

[illegible]

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on July 26

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	91⅛	91⅞		7.89
Alberta Province 7⅞ 98	1000	101¼	101⅝		7.26
Austria 6½ 98	400	105	105⅜		7.34
Bank of Tokyo 8⅛ 98	100	102⅛	103		8.79
Belgium 5½ 03	1000	84⅞	85⅞		7.85
BFCE 7¼ 97	150	102	102½	-⅛	6.86
[illegible]					

[illegible]

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FINANCIAL TIMES
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Property disposals help Allied Textile rise 28%

By Tim Burt

Allied Textile Companies, one of Britain's leading fabric and fibre manufacturers, yesterday highlighted improving sales and profits on property disposals as the main factors behind a 28 per cent increase in half-year profits.

The Yorkshire-based group defied tough trading conditions in the six months to March 31 by increasing pre-tax profits from £5.3m to £6.8m on turnover of £69.1m (£64.5m).

The improvement was underpinned by profits from financial activities, which more than doubled to £2.3m (£1.1m) following the disposal of a former mill at Huddersfield.

Operating profits in the core textile businesses rose by a more modest 7 per cent to £4.5m (£4.2m), but Mr Peter Honeysett, chairman, said it represented "very satisfactory progress in the face of fitful trading conditions".

That progress was dominated by steady profits in the UK, where there was a first-time contribution from Coatings Applications, the Lancashire-based fabric treatment business acquired last October for £8.5m.

in continental Europe, however, an improved performance at Allied Textile France SARL – the group's French subsidiery – was undermined by more than £2.5m in start up costs and depreciation charges on a new needle punch carpet line at Tapibel, the Belgian carpet manufacturer.

Allied's recent acquisitions in North America, where it established a foothold earlier this year with the £29.3m purchase of Cleyn & Tinker and Carleton, did not impact on the half-year figures.

"They have both made a good start and are operating in line with our best expectations," said Mr Honeysett.

Earnings per share came out at 15.37p (12.57p) and an increased interim dividend of 4.8p (4.6p) is declared.

● **COMMENT**

With textile demand in Britain showing little sign of rapid recovery, the timing of Allied's expansion into North America is looking increasingly shrewd. Carleton and Cleyn & Tinker are sxpected to make useful second-half contributions, which could offset any further downturn at home. Operating profits may also be enhanced by improved prodnctivity at Tapibel, which supplies the lncrative German market. However, there are unlikely to be further gains on property disposals and analysts have left their forecasts for full-year pre-tax profits unchanged at £17.5m. The shares, which closed down 2p at 533p, look slightly over-priced on a forward multiple of 14.4, given the uncertainties over domestic growth.

Shandwick ahead by 42% to £2.47m

By Clare Gascoigne

Pre-tax profits at Shandwick, the public relations company, rose by 42 per cent from £1.73m to £2.47m in the six months to the end of April, despite a 2 per cent fall in turnover to £78.7m, against £80.2m.

Mr Peter Gummer, chairman, said: "The slow start in North America initially held back both operating income and profits, but towards the end of the half year there was a significant upturn in trading in ths region."

North America accounts for more than half of Shandwick's worldwide business, and margins fell from 19.2 per cent to 13.9 per cent because of new business expenses.

"Ground lost in tbe early months in North America has been recovered and subsequent trading results are well ahead of the comparable period last year," said Mr Gummer.

New business levsls wsre "encouraging", he added.

Shandwick, which raised £18.9m with a rights issue in March, said £16.9m of this would be used to reduce bank borrowings.

Net debt stood at £69.2m at April 30, up £1.9m on the previous year.

Earn-out payments, a hangover from a string of acquisitions in the late 1980s, are estimated at £2.1m for the year to end-October, of which £1.7m has been paid. Earn-out payments for the next two years are estimated at £5.5m and all earn-outs end in 1996.

Earnings per share were maintained at 1.7p, and an interim dividend of 0.43p (nil) is declared.

Expansion at Filofax with £5.3m purchase of Henry Ling

By Tim Burt

Filofax Group, the USM-quoted personal organiser coocern, yesterday announced an expansion into the greetings cards business with the £5.3m acquisition of Henry Ling, the privately-owned stationery company.

Filofax, which has embarked on an aggressive acquisitioo strategy in the past 12 months, is funding the transactioo by raising £3.8m from a vendor placing of 2m new ordinary shares at 186p.

It has also agreed to issue 764,185 shares to Ling's directors, who will remain in place, and has set aside a further £100,000 to cover share options held by its employees.

Tbe move follows two months of talks with the Kent-based group, which has specialised in fine art greeting cards since the early 1970s.

Mr Robin Field, Filofax chief executive, said the two companies served common customers and could establish a strong presence among retailers such as WH Smith and Ryman.

"Greeting cards are the largest and still one of the fastest growing categories in the personal stationery market, and Lings is one of the most active competitors with a brand name that is very widely recognised and well respected," he said.

In the year to March 31, Lings made profits before tax and interest of £750,000 on turnover of £5.8m.

Filofax shares closed up 4p at 198p. Dealings in the enlarged group are expected to begin on July 29.

Approval for £9.8m Everton rescue plan

By Peter John

Shareholders of Everton football clnb yesterday gave their approval to a £9.75m rescue package by businessman Mr Peter Johnson.

The extraordinary meeting held at the club's Goodison Park ground started at the traditional football kick-off time – 3.00pm.

But it took less than the customary 90 minutes to vote in favour of the 1-for-1 rights issue that is expected to give Mr Johnson, chairman of Park Food, the Christmas hamper company, and the Nightfreight delivery group, control of the Merseyside clnb.

In anticipation, the Everton directors met after the EGM and elected Mr Johnson as their new chairman.

Shareholders, many of whom had inherited one or two of the 2,500 shares first issued in 1892 and kept them more out of loyalty to the club than personal investment, voted Mr Johnson on to the board.

The former chairman of Tranmere Rovers, a rival Merseyside club, needed 75 per cent snpport for the rights issue motion and received about 1,660 of the 1,680 votes cast. Mr Owen Jones, a former director of BICC, the cables group, who has a share in the club said: "There has been a terrible dullness about Everton over the past few years."

The cash call has been priced at £4,000 a share – significantly higher than the underlying price of about £2,750. Although existing holders have three weeks to take up the rights it is expected that none will do so and Mr Johnsoo will get 50 per cent of the equity.

Cantab signs Stanford deal

By Daniel Green

Cantab Pharmaceuticals, the biotechnology company, has signed an agreement with California's Stanford University that gives it an optioo to acquire exclusive rights to a family of pateot applications covering inveotions by Stanford's researchers.

The two will also collaborate on research into autoimmune and inflammatory diseases such as rheumatoid arthritis and ulcerative colitis.

The deal signals Cantsh's entry into autoimmune and inflammatory disease areas.

The work is still at the research stage. Any product it isolated would have to go through years of clinical trials before reaching the market.

Looking at life in Europe: for and against

Alison Smith and Richard Lapper on a policy split in the UK insurance industry

It is not just Britain's Conservative party that is split on Europe. The UK life insurance industry is similarly divided into Euro-enthusiasts and Euro-sceptics over the immediate importance of the European market.

Perhaps the most prominent Euro-sceptic – the Lady Thatcher figure of the business, so to speak – is Prudential Corporation, the UK's largest life insurer.

When announcing its new business figures for the first half of the year, Prudential put great emphasis on its rapidly growing presence in the Asia Pacific markets, and made only a cursory mention of a decline in annual premium contracts in Italy.

Mr Mick Newmarch, chief executive, believes there will not be a pan-European medium and long-term savings market until after 2000. He expresses far greater enthusiasm about opportunities in east Asia, and in China in particular.

However, a few UK life insurers, such as Scottish Amicable and Equitable Life, have already given details of how they intend to take advantage of the new freedoms they have been given by the third life directive, and others have initiatives planned for the autumn.

The third life directive, which came into effect at the start of this month, frees the cross-border activities of European life companies by allowing them to market products directly rather than relying on customers coming to them. It reins in the powers of local regulators who will no longer set minimum rates for premiums or control the wording of policies.

Roles governing where policyholders' funds are invested will also be less restrictive.

Unit-linked policies – which link policyholder returns directly to investment performance – will become more common. Prices should begin to level out, giving consumers a better deal.

)Mr John Stone, chairman of Lombard International, a Luxembourg-based European life insurance company, sees significant advantages for UK companies which have more sophisticated products and more advanced information technology.

There are, he believes, particular opportunities in markets which have traditionally offered the narrowest range and poorest value products, such as Germany.

Lombard is targeting affluent individuals.

Last year, the group, which benefits from Luxembourg's highly favourable tax regime, earned about 40 per cent of its £80m of premium income from Germany. Other sales came from Belgium, France, the UK and Sweden.

J Rothschild Assurance is another on the Euro-enthusiast wing of the UK life industry.

In March, it set up J Rothschild International Assurance, which is seeking to establish links with German regional banks.

Scottish Amicable has also announced a new operation, approaching the European landscape in two ways. Its

Mick Newmarch: enthusiastic about opportunities in east Asia

Dublin-based subsidiary is to seek business in Europe, initially through capitalising on its pareot's reputation among independent financial advisers.

in a piece of lateral thinking, it will also use the different tax regimes in the UK and the rest of Europe as an opportunity to sell from Dublin into the UK.

The tax differences enable it to produce policies at lower prices than if it were based in the UK.

The UK system taxes income to policyholders as it builds up in the funds.

Most of the rest of Europe taxes income when it is withdrawn from the fund and reaches the individual.

Despite Scottish Amicable's move, many UK life companies are conscious of the different tax regimes as a factor blunting the immediate impact of the directive.

But there is a feeling that even if the tax question is resolved quickly, as the Association of British Insurers has been urging, cultural differences will take longer to overcome.

Many Europeans who are used to a market of highly regulated products may, for example, shy away from policies which offer them greater risks as well as greater returns.

Mr Detlef Klaus, partner with Finanzplan, a Wiesbaden-based network of intermediaries, which sells products for Lombard, Friends Provident and a number of other companies, says that for "most customers, business will stay as it is for the next five years. Many people will buy from the intermediaries they know, and they will not take out highly sophisticated plans."

"You have to have distribution and deal in the language and culture of your customer," says Mr Richard Giles, head of Sun Alliance's overseas life business, which has operations in five continental European countries, "and the third life directive doesn't alter that".

So for the time being, the focus for many of the larger insurers is elsewhere.

Legal & General, for example, has indicated that it intends to concentrate in the short term on developing its UK operation.

Mr Newmarch is enthusiastic about opportunities in east Asia. Though the cultural and regulatory barriers are higher than in Europe, they are outweighed by the sheer scale of the potential market and the speed at which it could grow.

BAT Industries, which owns Allied Dunbar and Eagle Star Life, also regards China, Hong Kong, Singapore and Taiwan – where the group recently obtained a provisional trading licence – as a higher priority.

Eagle Star Life has s sizeable presence in Spain and Ireland but is far less optimistic about expansion elsewbere on the Continent. According to Mr George Greener, chairman of the two subsidiaries: "Europe is very difficult."

NEWS DIGEST

Dalepak declines to £514,000

Dalepak Foods, the maker of frozen and chilled products, recorded a drop in pre-tax profits from £2.21m to £514,000 in the year to April 30. Turnover declined from £42.2m to £36.9m.

The dividend is cut from 6p to 1.5p, with a final of 1p.

The result, whicb was foreshadowed in profits warnings, stemmed from a fall in the main frozen foods division. However, directors said that measures implemented following a review of that business had ensured that the division returned to profit in the second half.

Earnings per share dropped to 3.71p (13p).

TT increases stake in Dale to 9.5%

TT Gronp, the expanding conglomerate, yesterday announced the purchase of 582,283 shares in its latest takeover target, Dale Electric, the generator manufacturer.

The shares, bought at 70½p apiece, lift TT's stake in Dale to 1.26m shares, or 5.51 per cent of the equity capital.

Taking in parties deemed to be acting in concert and irrevocable undertakings from directors, TT now controls 9.54 per cent of Dale.

Third quarter rise at Citizens Financial

Citizens Financial Group, the US subsidiary of Royal Bank of Scotland, reported net income of $12.3m (£7.9m) for the third quarter to June 30, compared to $7.2m for the corresponding period of 1993.

Three acquisitions in the last 12 months brought total assets to $8.1bn at the end of the third quarter, against $5.3bn.

Net interest income for the quarter was $72.8m ($43.3m) before provision for credit losses. The provisions amounted to $5.1m, down 5 per cent on the comparable $5.4m.

Non-interest income for the quarter was $23.2m ($17.9m), and non-interest expense was $70.3m ($44.2m).

Year starts well at Carpetright

Sir Philip Harris, chairman and chief executive of Carpetright, told shareholders at the annual meeting that sales in the first 12 weeks of the current year were up by about 30 per cent.

This improvement, Sir Philip added, was considered satisfactory by the board, given the weak market for carpets in the UK and the adverse effect of the continuing hot weather.

Seven new stores had opened in the current year, all of which were trading successfully. The new openings brought the total number of outlets to 152, and a further 30 new openings were planned for the year, Sir Philip said.

PSIT buys industrial estate for £12.3m

PSIT, the property company, has acquired Houndmills industrial estate, Basingstoke, Hampshire, from British Rail Pension Fund for £12.3m.

The site comprises a substantial office and industrial estate of about 420,000 sq ft let to 13 different tenants on leases with unexpired terms of between five and 20 years.

CI Group factory sale to reduce debt

CI Group, the Wolverhampton-based engineer, has sold a factory and offices for £900,000 and will be relocating its head office to premises nearby. Proceeds will be used to repay part of the group's medium-term borrowings.

CI reported increased losses to £1.53m (£338,000) in the year to end-January, after selling its French subsidiary, Société Metallurgique de Brevilly, and cutting the workforce by 11 per cent to less than 1,000.

Second quarter rise for Marine Midland

Marine Midland Bank, the US subsidiary of HSBC Holdings, increased net income by 26 per cent from $45.3m to $57.1m (£36.8m) in the second quarter of 1994.

The increase meant a 38 per cent rise in the first half of the year from $79.3m to $109.7m. The bank said the increase reflected strong net interest income and other revenues, while operating expenses were cut by 8 per cent.

Marks and Spencer to expand in Spain

Marks and Spencer is to invest Pta4.34bn (£21.7m) in the expansion of its existing chain of Spanish department stores.

Some Pta3.5bn will be used for a new store in Valencia and Pta840m for the expansioo of one of its stores in Madrid.

C&W offshoot lifts PLD stake to 33%

Navona Communications, a wholly owned subsidiary of Cable and Wireless, has increased its interest in Petersburg Long Distance to 33.2 per cent.

Navona, a private company incorporated in Bermuda, has acquired 1.65m common shares in PLD issued from treasury at $9.09 (£5.86) and a convertible debenture of $994,000 convertible into 109,000 common PLD shares.

PLD is listed in New York and Toronto. Navona was acquired by C&W on March 29, when it held 25.1 per cent of PLD.

Navona now has the right to acquire a further 1.54m common shares in PLD.

Cranswick buys sausage business

Cranswick, the supplier of grain, feed, livestock and meat products is paying up to £1.45m for a sausage making business and factory.

The vendor is Tryton Foods, a division of William Jackson & Son, and Tryton has entered a three-year supply agreement with Cranswick for its sausage needs.

INVESTMENT TRUST DIGEST

Continental Assets beats benchmark

Contineotal Assets Trust, managed by Ivory & Sime to seek capital growth through a portfolio of small European stocks, reported a modest rise in net asset value during the six mooths to June 30.

The undiluted value of 233.4p per share represented a gain of 1.8 per cent on December's figure of 229.2p. Diluted for outstanding warrants the rise was 2.1 per cent, from 208.3p to 212.6p. The benchmark FT-A World Index for Europe (excluding UK) declined by 4.6 per cent during the same period.

Year-on-year advances were 23 per cent basic and 21 per cent diluted.

Available revenue for the six months fell from £695,000 to £542,000 for earnings of 2.49p (3.2p) per share.

Rights and Issues

The split capital Rights and Issues Investmeot Trust saw net asset value per capital share dip 4.4 per cent, from 545.7p to 521.9p, during the six months to June 30.

Directors stressed, however, that the trust had ontperformed its benchmark – the FT-SE-A All-Share Index – which dropped 13 per cent during the same period.

They sdded that the main unquoted investment – Phosyn – had performed well with record pre-tax profits in 1993 and an intended revaluation of the trust's 25 per cent stake "may lead to a material increase in asset values".

Net revenne for the six months to end-June edged ahead to £139,476 (£136,535). The interim dividend per income share goes up to 2.5p (2.4p); directors expect to pay a final of not less than 6.5p.

M&G Dual

M&G Dual Trust, a split-level investment trust, announced an increase in asset value of capital shares from £2,668 to £2,814 at the end of the period to June 30 1994. Earnings per income share were unchanged at 30.55p which translates into an interim divideod of the same amount. Net revenne from ordinary activities was £1.76m (same).

European Assets

Net asset value at European Assets Trust, which invests in small and medium-sized companies in continental Europe, fell 6 per cent in sterling terms from 351.2p to 329.2p per share during the six months to June 30.

In guilder terms it fell 10 per cent, from Fl 10.07 to Fl 9.07.

Net income for the half rose from Fl 2.83m to Fl 3.1m. The interim dividend is maintained at Fl 0.08.

Murray Smaller

Over the year to end-May 1994 net asset value per share of the Murray Smaller Markets Trust rose 39 per cent from 344.8p to 478.9p.

Available revenue for the 12 months of this Murray Johnstone-managed trust fell slightly to £2.52m, against £2.54m, giving a per share value of 4.52p (4.55p). The dividend total, however, is lifted to 4.37p (4.2p) with a final of 2.95p.

Temple Bar

Net asset value of Temple Bar Investment Trust fell from 384.17p to 331.97p over the six months to end June 30.

Attributable profits for the first half fell from £3.94m to £3.69m and earnings per share were down at 6.403p (6.835p).

The interim dividend is raised to 4.7p (4.6p).

Geared Income

Geared Income Investment Trust reported s net asset value of 99.25p per share as at June 30, up from 86.1p at the same stage of 1993.

Net revenue for the three month period amounted to £273,357 (£358,732), equivalent to earnings of 1.21p (1.63p) per share. The first interim dtvidend is maintained at 1.5p.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Allied Textile	int	4.8†	Sept 30	4.8	-	12.9
Dalepak Foods	fin	1	Oct 3	4.5	1.5	6
European Assets	int	0.08‡	Sept 9	0.08	-	0.18
Geared Income	int	1.5☆	Aug 31	1.5	-	8.075
M&G Dual	int	30.55	Aug 23	30.55	-	70.34
Misys	fin	5.06†	Oct 3	4.4	8.06	7.01
Murray Smaller	fin	2.95	Sept 21	2.85	4.37	4.2
Rights & Issues	int	2.5	Sept 30	2.4	-	8.7
Shandwick	int	0.43	Sept 18	nil	-	nil
Stagecoach	fin	2.6	Oct 7	-	4.1	-
Temple Bar Inv	int	4.7	Sept 30	4.6	-	13.55

Dividends shown pence per share net except where otherwise stated. †On increased capital. ☆First interim. ‡Dutch guilders.

PUBLIC WORKS LOAN BOARD RATES

Effective July 26

Years	"Lower" quota rates EPT†	"Lower" quota rates A††	"Lower" quota rates maturity§	"Higher" quota rates EPT†	"Higher" quota rates A††	"Higher" quota rates maturity§
1	-	-	5⅝	-	-	5¾
Over 1 up to 2	6	6	7	5⅞	6¼	7⅛
Over 2 up to 3	6¾	6¾	7¾	6¾	6⅞	7⅞
Over 3 up to 4	7¼	7¼	8⅛	7⅜	7⅜	8¼
Over 4 up to 5	7⅜	7⅜	8⅜	7½	7½	8½
Over 5 up to 6	7⅞	7⅞	8½	8	8	8⅝
Over 6 up to 7	8	8⅛	8⅝	8⅛	8¼	8¾
Over 7 up to 8	8⅛	8¼	8⅝	8¼	8⅜	8⅞
Over 8 up to 9	8¼	8⅜	8⅝	8⅝	8½	8⅞
Over 9 up to 10	8¾	8½	8⅝	8⅝	8⅝	9
Over 10 up to 15	8⅝	8⅝	8⅝	8⅞	9	9
Over 15 up to 25	8⅝	8⅝	8½	9	9	8⅞
Over 25	8⅝	8½	8⅛	9	8⅞	8⅞

*Non-quota loans A are 1 per cent higher and non-quota loans B 2 per cent higher in each case than quota loans. †Equal instalments of principal. †† Repayment by half-yearly annuity fixed equal half-yearly payments to include principal and interest. § With half-yearly payments of interest only.

COMPANY NEWS: UK

■ Acquisitions bolster outcome ■ £33m spent on new vehicles

Stagecoach shows 46% advance

By Charles Batchelor, Transport Correspondent

Stagecoach Holdings, the acquisitive Perth-based bus operator, achieved a 46 per cent increase in pre-tax profits from £12.9m to £18.9m in the 12 months ended April 30, its first year as a listed company.

Turnover rose by 24 per cent to £191m, helped in part by contributions from the three bus companies acquired in the course of the year – East Kent, Grimsby-Cleethorpes and Western Travel.

Stagecoach also spent £33m, mainly to renew its vehicle fleet. More than 650 new buses have been bought in the past three years and a further 680 are on order.

The improvement in Stagecoach's figures resulted from spending on new vehicles, which reduced maintenance costs; an increase in the number of passengers carried; and the introduction of new services such as limited-stop inter-urban routes.

Stagecoach also managed to integrate its new acquisitions more rapidly than anticipated, largely because they already operated efficient networks of routes, Mr Brian Souter, executive chairman, said.

When two other acquisitions completed after the year end – of Western Scottish Holdings and Busways – and the proposed purchase of a 20 per cent stake in Mainline Partnership are taken into account, Stagecoach has an annualised turnover of £275m.

Stagecoach made bids for all 10 of the London Bus companies which are up for sale and has been short-listed for eight, though the rules governing the sale would allow it to buy only two or three.

Mr Souter said he did not think the London companies would attain the same large goodwill premiums as some of the provincial bus companies which have been sold because the London bus market has not been deregulated.

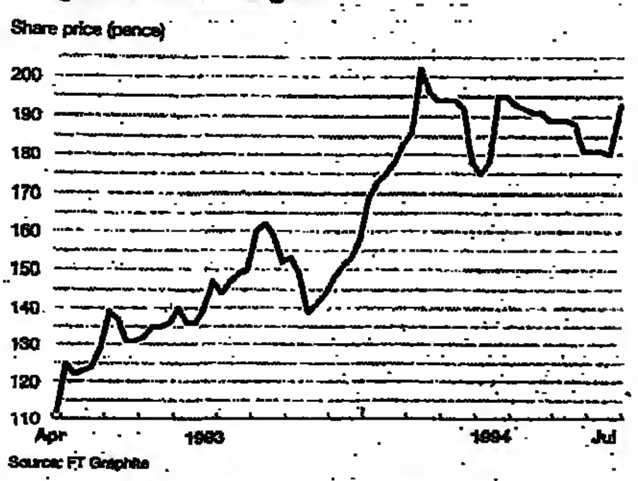
Stagecoach has picked up some business as a result of the train dispute, but at the same time has lost passengers on routes which connect with British Rail.

The company has "not lost interest" in the idea of bidding for BR franchises when the train operating companies are sold off, Mr Souter said.

Earnings per share rose from 8.3p to 10.3p and the company proposes a final dividend of 2.6p compared with the 2.5p forecast at the interim stage. The total distribution for the year is 4.1p.

Stagecoach Holdings

Share price (pence)



Source: FT Graphite

● **COMMENT**

Stagecoach has been moving so fast since it obtained a listing 15 months ago that it has been difficult to keep up with its progress. Followers of the company will be relieved therefore to hear that the businesses which were on board before the float have also shown strong growth. Their operating profits rose by £2m while new acquisitions contributed a net £2.5m after redundancy costs of £900,000. Stagecoach has been able to buck the industry-wide trend of declining passenger numbers with the help of new high-quality inter-urban services and an active marketing campaign. The rail strikes, meanwhile, can only act as a further boost to bus and coach travel. Mr Souter now plans to expand into London. He hopes the London Bus companies will not demand the giddy buyers' premiums which have become the norm in the provinces. He may be disappointed.

Stancroft takes 33% stake in Devanha

By Raymond Snoddy

Mr Nicholas Berry's Stancroft Trust has taken a aizeable stake in Devanha, the last of the modern broadband cable television companies owned entirely by UK interests.

Stancroft, which is the largest investor in three public companies – Coal Investments, Kunwick and Barlow, and Mintel, the consumer research organisation – has taken a 33 per cent stake in Devanha.

The group has completed the construction of its cable franchises in both Aberdeen and Coventry. In Aberdeen the company has 16,000 subscribers out of the 93,000 homes that are passed by the cable network and therefore could subscribe. In Coventry there are some 10,000 subscribers out of the 117,000 homes passed.

No price was given for the transaction last night, but Mr Graham Duncan, Devanha's chairman, welcomed Stancroft as an investor.

"The additional investment will allow us to develop the group in a way which we would not otherwise have been able to do," said Mr Duncan.

Apart from Aberdeeo and Coventry, Devanha owns several smaller licensed cable systems in England.

US buyer for Switched Reluctance Drives

By Andrew Baxter

Switched Reluctance Drives, the Yorkshire-based developer of an innovative type of electric motor, has been bought by St Louis-based Emerson Electric, the world's largest producer of electric motors, for an undisclosed sum.

SRD claims world leadership in the technology of switched reluctance drives, which can outperform standard induction motors.

The purchase by Emerson is viewed by both companies as an important step for the development and commercial exploitation of the technology.

SRD has had an uphill battle convincing the industry of the advantages of its motors. But Professor Peter Lawrenson, the founder and chairman, believes they could now take a substantial share in the world electric motor market, worth £20bn to £25bn a year in total.

SRD, which employs 30 people full-time, had pre-tax profits of £282,000 in the year to end-September, on turnover of £1.6m.

It will remain at Leeds, as a subsidiary of Emerson, with Prof Lawrenson as non-executive chairman, and Mr William Schnyder joining from Emerson as chief executive.

NatWest Markets chief leaves to run fund

By Philip Gawith

Mr Mike Cornford, head of global foreign exchange at NatWest Markets, has left his post after less than three months in the job.

Mr Cornford, who was poached from Swiss Bank in order to bolster NatWest's foreign exchange operation, has been invited to run a hedge fund by a group of investors.

Mr Stephan Harris, managing director of global treasury at NatWest Markets, said Mr Cornford had left at his own initiative. "There is no ill-feeling or cause for him to leave. It is just unfortunate that this opportunity came along when it did."

Mr Cornford is the latest in a number of leading City figures who have left hanking jobs to join hedge funds – highly leveraged pools of speculative capital, where management fees commonly run to as much as 25 per cent of profits.

NatWest are not planning to replace Mr Cornford immediately. Instead the day to day management of the foreign exchange operation will be handled by Mr Paul Winchester, Mr Frank Wong and Mr Hans Goehtz, the regional managers. Mr Harris will join these managers on a policy committee to supervise NatWest's foreign exchange operations.

Mr Cornford was not available for comment and the identity of his backers is not yet known. It is understood, however, that the offer he has accepted had previously been on the table and was then revived once he had arrived at NatWest.

Mr Harris said NatWest was "very sorry to see him go". He said Mr Cornford's view was that it would be less disruptive if he left now rather than when he was more established.

Correction
Bell Cablemedia

Bell Cablemedia has secured a listing on the Nasdaq stock exchange, not the New York Stock Exchange as reported in yesterday's FT.

Regulatory changes move Misys ahead 23%

By Alan Cane

Regulatory changes in the insurance industry favouring increased computerisation and continuing growth in open systems helped Misys, the acquisitive computing services group, report a 23 per cent increase in annual profits.

Profits before tax for the 12 months to May 31 rose to £18.6m, against £15.1m last time. Turnover rose 5 per cent to £93.4m (£88.8m), although this took in £7.58m from acquisitions; sales from continuing operations fell to £85.8m, reflecting the continued decline in lower-margin hardware sales.

Mr Kevin Lomax, chairman, said the results represented record levels of sales, profits and earnings per ahare and that acquisitions had contributed only modestly to the final outcome.

The main acquisition during the year was Kapiti, n software house specialising in financial services, bought for £38m. Kapiti is based in the UK but much of its revenue is derived from overseas, increasing the group's international sales from 3 per cent to 25 per cent.

Kapiti now constitutes Misys' hanking services division. Mr Lomax said new business had been won in Moscow, Hong Kong and Dubai.

Misys' largest operating division is financial services, which serves the insurance industry. It contributed £10.9m (£9.4m) to pre-tax profits. Mr Lomax said that a development programme aimed at producing new products based on client/server architectures and open systems technology was drawing to a close. The products would be launched over the next year and would be aimed initially at larger accounts where the company has traditionally been less active.

He said there were few signs of an increase in capital investment in the company's main markets; changes in the insurance sector suggested the financial services division would continue to make good progress.

Earnings per share were ahead 19 per cent at 31.9p (26.8p); a final dividend of 5.06p is recommended, making 8.06p (7.01p) for the year.


Trevor Humphries
Kevin Lomax: new products will be launched next year

● **COMMENT**

Continuing competitive and regulatory changes in the insurance industry, which have encouraged intermediaries to improve their efficiency through computerisation, are a significant factor in Misys' profitability despite the effect of recession on its other main markets. It is likely that the company can continue to mine the insurance seam for some time ahead, even if spending has to be pushed up to ensure leading edge technology. Kapiti should prove a sound foundation for growth in international banking. With pre-tax growth approaching 15 per cent expected this year, giving a prospective p/e of about 12, shares are undervalued.

Whessoe shares shed 26p on full-year loss warning

By Tim Burt

Shares in Whessoe fell 26p to 108p yesterday after the instrumeotation, control and piping systems group warned it was likely to report losses this year following a sharp deterioration in trading conditions.

The shares have fallen from 219p in May, when the group said that interim pre-tax profits had halved from £4.02m to £1.89m.

The problema have been blamed on the piping systems division, which has suffered from a lack of orders, an unsuitable product mix and delays in existing customer contracts.

Although "comprehensive action" had been taken to reverse the decline, the company said it would be inappropriate to pay a final dividend. However, it hoped to resume payments next year.

Chinese move for Schroders

Schroders, the UK merchant bank, has received permission to set up an office in mainland China, to be located in Shanghai, writes Norma Cohen.

Schroders thus joins the growing list of UK securities firms and merchant and commercial banks which are seeking a toehold in the rapidly growing business of financing China's industrial expansion.

Barings, Smith New Court and NM Rothschild are also establishing offices in China.

COMMODITIES AND AGRICULTURE

Platinum price at a 3½-year high

By Kenneth Gooding, Mining Correspondent

Platinum prices were given a boost yesterday when speculators seized on bullish comments by Mr Michael Steel, market research director of Johnson Matthey, the world's biggest platinum market group.

He suggested in an interview with a Reuter correspondent in Tokyo that Japan might import record quantities of platinum and palladium this year and that the world's platinum supply surplus might disappear in 1995. Both metals are used in car anti-pollution catalysts.

Some US funds took this as a "buy" signal and in London platinum's price raced up to its highest level in three and a half years before closing at US$421.75 a troy ounce, up $5 an ounce. Palladium's price was "fixed" in London at $151 an ounce, its highest since July, 1989.

Mr Steel said that platinum should be helped by a pick-up in world economic activity and a steady increase in demand for platinum jewellery. Demand in Japan, the world's largest consumer of both platinum and palladium, was high because of jewellery and investment demand even though use by Japan's motor industry would fall this year, he added.

Some analysts suggested that platinum prices would continue to be supported by worries about labour unrest in South Africa, the biggest producer, and also growing doubts about production at Norilsk in Russia, the second-largest.

However, Mr George Milling-Stanley, analyst at Lehman Brothers, said it was not a good sign that jewellery and investment demand - rather than the industrial sector - was helping prices up in Japan. He said: "This may well be a flash in the pan for the platinum group metals".

MARKET REPORT

Plunge in copper prices undermines other metals

Sharp falls in COPPER prices weighed on the other base metals contracts at the London Metal Exchange yesterday afternoon.

Copper's three months delivery price plunged through several important chart support points, notably at $2,510 and $2,495 a tonne, as fund selling, stop-loss sales and liquidation brushed aside any buying, dealers said.

The ALUMINIUM market suffered from heavy liquidation, which emerged when the three months price backed through the $1,495-$1,500-a-tonne area, ignoring news of a further fall in LME warehouse stocks.

At the London Commodity Exchange COFFEE futures recovered some of Monday's big falls as traders waited for Brazil to give a revised official estimate for the 1995-96 crop following the recent frosts. They said rumours that Brazil might cancel the auction of an extra 5m bags of stocks gave further encouragement to speculative buyers.

COCOA prices moved higher with coffee and were also aided by concern about dry weather in the Ivory Coast.

Compiled from Reuters

LME WAREHOUSE STOCKS (As at Monday's close) tonnes

Aluminium	-8,875	to 2,540,275
Aluminium alloy	-80	to 27,680
Copper	-725	to 338,875
Lead	+1,400	to 354,000
Nickel	+444	to 132,980
Zinc	+550	to 1,212,125
Tin	+25	to 30,580

Indonesia to cut timber production by 28%

By Manuela Saragosa in Jakarta

The Indonesian government has announced plans to reduce its timber output by over 28 per cent over the next five years because excessive felling is believed to have caused floods followed by severe droughts on the country's most densely populated island of Java.

Mr Djamaloedin Soeryohadikoesoemo, the minister of forestry, said that the country's timber production would be cut to 22.5m cubic metres by the turn of the century from its present level of just over 30m cu m.

This month a severe drought in central Java damaged about 16,000 hectares of rice fields and is expected to lead to 3 per cent fall in Indonesia's rice output. Excessive logging is destroying the forest's crucial function of watershed protection.

Plans to reduce timber output are linked to increasing concern about the extent of illegal logging in the country. The government estimates between 4m and 6m cu m a year are cut down illegally each year but environmental lobbyists say the figure is much higher.

In recent months, the Ministry of Forestry has attempted to crack down on illegal logging. Mr Soeryohadikoesoemo said that 248 forest concessionaires had violated logging regulations and were being fined a total of $21m. Some concessionaires had already had their logging licences revoked.

Plans are also under way to implement an eco-labelling scheme, which would provide consumers with information about the origin of wood products manufactured in Indonesia.

Wood and paper prodncts accounted for nearly a third of the total valne of Indonesia's non-oil exports last year.

UK bread-wheat faces continental challenge

Imports have soared as the domestic crop has stagnated, writes John Buckley

UK wheat farmers risk losing market share to French and German rivals if they fail to grow enough quality bread-grain to meet millers' needs, according to leading flour milling and baking group Rank Hovis McDougall.

With the advent of the single market and ever closer European Union intra-trade, the UK flour industry will almost certainly be challenged by continental competitors seeing outlets for their excess mill capacity in the years ahead. At a time when the EU is under notice to cut wheat exports under the General Agreement on Tariffs and Trade flour is an assured outlet that farmers can ill afford to lose.

RHM's plea to farmers is a perennial one, but this year it has taken on a sharper edge. In the past 12 months, UK bread-wheat imports soared 50 per cent to an estimated 1.5m tonnes - double the level of 1991-92 - after the domestic crop failed to supply the normal 80 per cent of millers' needs.

Millers' costs rose as quality wheat also ran short in Canada and the US, whose hard wheats are used to raise flour quality. It was a big disappointment for consumers who had been led to believe that wheat prices would drop 28 per cent with reform of the EU's common agricultural policy.

The millers acknowledge UK farmers face a dilemma. Bread-wheat needs plenty of sunshine when crops are ripening to create protein and other qualities essential to make bread rise when baked. So the crop carries a risk of failure from fickle weather.

Sufficient price premiums are needed to encourage planting of bread-wheat instead of lower-priced but much higher-yielding (and easier to grow) feed-wheat.

British flour has been made from up to 88 per cent home-grown grain. In the past year that dropped to only 71 per cent.

Plant breeders have been working for years to come up with an optimum mix of quality and yield to maximise farmers' profits; but such compromises do not suit millers' needs. Bread-flour requires a consistent and finely-balanced quality of wheat.

"We need to know exactly what we're getting - varietal integrity, for example, is all important," points out Mr Peter Baker, managing director of Rank Hovis's milling division.

Farmers aiming to grow for the 3.2m-3.4m- tonne UK bread-wheat market have to rely on guidance from their seed suppliers and on the signal from the previous season's bread-wheat premiums. Some guesswork is inevitable.

Yet getting the right balance between supply and demand is vital - too big a bread-wheat crop can depress the price premium and put farmers off in the following year. One suggestion is for more farmers to grow bread-wheat under fixed contracts with buyers - a system expected to produce several hundred thousand tonnes next year. But contracts can have drawbacks. A miller could find himself locked into fixed costs while his competitors benefitted from a fall in the market value of bread-wheat. Contracts would not prevent farmers growing too much bread-wheat, happened four years ago, causing the premium to collapse. Neither would contracts ensure production as the crop could fall on weather factors. "None the less, contracts may be a partial answer," concedes Rank Hovis Wheat director, Mr Peter Jones.

RHM, like other UK millers, sources its bread-wheats from many origins to build up quality of the 200 grades of flour it produces. In recent years, thanks to quantum leaps in crop quality and flour milling technology, British flour has been made from up to 88 per cent home-grown grain. In the past year that dropped to only 71 per cent, partly because farmers sowed insufficient quantities of the right (Class 1) varieties, partly because the weather affected quality and partly because of missed opportunities. Hundreds of tonnes were drawn in from the Continent where supplies were often more readily available at competitive prices.

This year's UK wheat plantings are estimated to have risen by about 1.5 per cent, suggesting, with average yields, a crop close to last year's 12.9m tonnes. A fortnight ago Mr Jones was hoping that the fine weather would yield enough bread-wheat to reduce imports to as little as 1m tonnes. But weeks of scorching, dry conditions have threatened crop stress and concern for quality is already reflected in slow farmer selling and premiums of up to £24 a tonne for bread-wheat over feed-wheat. A clear national quality picture will not emerge, however, before the second week of August, when harvesting will be in full swing.

The bread-wheat premiums must also be added to higher-than-expected base prices - confounding forecasts that consumers' grain costs would be cut by CAP reform. Although EU support prices have been reduced in European currency unit terms sterling prices have been boosted by two "green" pound devaluations this month alone. Not that the open market need take much notice of support - it is already trading well above that level, and above that of this time last year, thanks to empty intervention stores, a year of heavier-than-expected exports, and strong demand from the animal feed sector. Having started the new season with a much smaller carry-over, the UK has already sold forward a significant chunk of the coming crop for export. With EU intervention stocks also sharply down and concern being expressed over French and German wheat quality many consumers are bracing themselves for high grain costs over the coming year.

"What we need above all is orderly marketing," says Mr Jones. "We want to use more British wheat and we could have used more last year if prices had been competitive when quality fears first emerged. There is always a tendency in this market to respond to short-term price signals; opportunities to sell at a reasonable price can be lost. However, it is vital for farmers in the long term to keep as much of this processing business as they can in the UK."

Jamaica calls time on international bauxite pact

By Canute James in Kingston

Jamaica is leaving the bauxite producers' organisation, which it helped to create 20 years ago, suggesting that it is no longer relevant to its members.

It will tell the other members of the International Bauxite Association that the body should be dissolved. If the others disagree then Jamaica will secede, says Mr Robert Pickersgill, the island's mining minister.

The government's decision has come after several months of uncertainty over the future of the IBA, which has its headquarters in Kingston, following reports that many members were delinquent in meeting their financial obligations.

The association, which bauxite (aluminium ore) and alumina (aluminium oxide) consumers had feared would become a cartel, has been acting as a data bank for its members, allowing them to exchange information and ideas on the state of the industry. It received a setback two years ago when Australia, its most important member, pulled out, questioning the IBA's relevance.

This deprived the IBA of about 40 per cent of its budget, and the situation was worsened by a high level of delinquency among the remaining members. The association lists its members as Ghana, Guinea, Guyana, India, Indonesia, Jamaica, Sierra Leone and Surinam. Before Australia pulled out the IBA lost two of its founding members - the Dominican Republic and Haiti - because their industries were shut down. It also lost another founding member with the break-up of Yugoslavia.

"When the IBA was established in 1974 its members accounted for about 75 per cent of the world's bauxite production, but this has fallen to about 25 per cent today," Mr Pickersgill says. "We have said to the other members that we do not think that we are progressing, and that we want an end to the IBA."

The IBA was unsuccessful in expanding its membership, and failed to attract producers such as Brazil despite repeated attempts. It also failed to broker a commodity pact between bauxite producers and consumers under the aegis of the UN Committee on Trade and Development, because of a lack of support from either side, and because bauxite trade could not be organised in pacts similar to those for other commodities.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1470.5-71.5	1498-99
Previous	1480-82	1507-8
High/low	1485.5	1516/1485
AM Official	1485-85.5	1512.5-13
Kerb close		1487-8
Open int.	279,526	
Total daily turnover	40,608	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1475-80	1498-500
Previous	1492-97	1512-15
High/low		1507/1505
AM Official	1485-90	1506-7
Kerb close		1495-8
Open int.	2,591	
Total daily turnover	656	

■ LEAD ($ per tonne)

Close	576.5-77.5	593-94
Previous	583-84	598.5-600
High/low		601/591
AM Official	582-3	598.5-99.0
Kerb close		590-1
Open int.	41,862	
Total daily turnover	11,163	

■ NICKEL ($ per tonne)

Close	6155-60	6245-50
Previous	6190-200	6285-90
High/low	6225/6220	6380/6230
AM Official	6210-20	6315-20
Kerb close		6230-40
Open int.	56,575	
Total daily turnover	6,983	

■ TIN ($ per tonne)

Close	5245-50	5315-25
Previous	5275-85	5350-60
High/low	5270	5405/5300
AM Official	5270-75	5348-9
Kerb close		5295-305
Open int.	16,370	
Total daily turnover	2,333	

■ ZINC, special high grade ($ per tonne)

Close	963.5-64.5	988-89
Previous	971.5-2.5	996-97
High/low	969.5	997/985
AM Official	969.5-70.0	994-94.5
Kerb close		985-6
Open int.	102,523	
Total daily turnover	15,634	

■ COPPER, grade A ($ per tonne)

Close	2479-80	2494-95
Previous	2520-22	2526-28
High/low	2509	2530/2481
AM Official	2508-9	2517-18
Kerb close		2490-1
Open int.	224,840	
Total daily turnover	82,197	

■ LME AM Official £/$ rate: 1.5254
LME Closing £/$ rate: 1.5240

Spot:1.5260 3 mths:1.5233 6 mths:1.5230 9 mths:1.5217

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	low	Open int	Vol
Jul	111.00	-3.70	114.25	110.50	758	183
Aug	110.95	-3.75	113.70	110.75	710	4
Sep	111.35	-3.75	114.75	110.60	32,719	5,460
Oct	111.20	-3.55	113.10	112.40	422	4
Nov	111.00	-3.35	-	-	235	10
Dec	110.85	-3.10	113.69	110.10	10,438	565
Total					61,527	6,391

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (Troy oz.)	$ price	£ equiv.
Close	386.10-386.50	
Opening	385.40-385.60	
Morning fix	385.85	253.166
Afternoon fix	386.20	253.196
Day's High	386.60-387.00	
Day's Low	385.50-385.90	
Previous close	385.00-385.40	

Loco Ldn Mean Gold Lending Rates (Vs US$)
1 month ....4.02 6 months 4.52
2 months ....4.10 12 months 4.90
3 months 4.17

Silver Fix	p/troy oz.	US cts equiv.
Spot	348.85	532.00
3 months	353.15	537.90
6 months	357.95	545.05
1 year	369.00	560.60

Gold Coins	$ price	£ equiv.
Krugerrand	390-393	255-258
Maple Leaf	396.80-399.25	
New Sovereign	90-93	59-62

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Jul	387.0	+2.2	-	-	-	-
Aug	387.1	+2.2	387.1	385.0	49,074	14,228
Sep	388.7	+2.3	-	-	3	-
Oct	390.3	+2.3	390.4	388.1	7,204	311
Dec	393.4	+2.3	393.5	391.3	47,036	6,669
Feb	396.8	+2.3	397.0	396.0	10,409	59
Total					162,383	21,857

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

Jul	428.5	+8.4	428.5	425.0	88	4
Oct	430.5	+8.4	432.0	423.5	21,357	1,583
Jan	433.7	+9.2	433.7	428.0	2,313	9
Apr	437.2	+9.2	437.2	432.0	1,799	15
Jul	441.2	+8.2	-	-	1	-
Oct	445.2	+8.2	-	-	1	-
Total					25,568	1,621

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

Sep	153.95	+4.15	154.25	151.25	4,749	410
Dec	152.70	+3.90	153.00	150.50	1,054	175
Mar	152.20	+3.90	-	-	171	-
Total					5,974	585

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

Jul	530.7	+1.7	531.0	526.0	146	94
Aug	530.8	+1.5	-	-	77,060	5,842
Sep	532.5	+1.5	536.0	526.0	24,298	680
Dec	539.8	+1.5	543.5	533.5	35	-
Jan	541.4	+1.5	-	-	6,665	22
Mar	547.9	+1.5	550.0	549.0	3,816	-
Total					120,719	6,647

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Sep	19.36	-0.05	19.48	19.35	108,184	38,724
Oct	19.04	-0.03	19.10	19.01	48,290	14,326
Nov	18.87	+0.01	18.90	18.85	34,161	4,888
Dec	18.72	-0.01	18.77	18.70	45,608	3,734
Jan	18.62	-0.02	18.65	18.62	22,692	1,351
Feb	18.68	+0.11	-	-	11,572	735
Total					402,768	63,350

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Sep	17.61	+0.04	17.74	17.58	65,022	21,750
Oct	17.52	-0.01	17.63	17.50	24,242	9,624
Nov	17.47	-	17.52	17.45	11,088	2,238
Dec	17.40	-	17.44	17.36	15,560	828
Jan	17.34	-0.01	17.38	17.31	5,778	150
Total					134,183	35,233

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Aug	50.25	+0.08	50.35	50.05	16,457	10,785
Sep	50.75	+0.04	50.90	50.60	28,025	9,578
Oct	51.75	+0.12	51.85	51.70	12,941	3,169
Nov	52.75	+0.17	52.75	52.70	10,185	998
Dec	53.65	+0.12	53.80	53.60	21,258	2,551
Jan	54.30	+0.17	54.30	54.28	12,526	837
Total					125,082	28,732

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Aug	152.50	-	153.75	152.25	24,441	7,894
Sep	156.00	-0.75	157.25	156.00	17,006	3,405
Oct	159.25	-0.75	160.50	159.25	13,464	1,722
Nov	161.75	-0.50	162.50	161.50	10,185	747
Dec	163.75	-0.75	164.50	163.50	15,179	1,037
Jan	165.00	-0.75	165.75	165.00	8,034	950
Total					98,687	15,824

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Open int	Vol
Sep	1.845	-	1.870	1.830	25,822	15,181
Oct	1.930	-	1.935	1.910	11,618	5,439
Nov	2.055	-	2.070	2.053	9,404	2,040
Dec	2.195	+0.005	2.205	2.190	14,303	3,255
Jan	2.215	+0.005	2.225	2.210	9,817	2,765
Feb	2.145	+0.005	2.155	2.145	5,799	1,552
Total					110,817	34,887

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Aug	56.75	+0.28	58.90	58.35	22,123	19,858
Sep	56.30	+0.05	56.60	56.10	36,156	17,451
Oct	54.45	+0.03	54.60	54.40	11,642	4,110
Nov	52.50	-0.02	52.60	52.55	9,287	852
Dec	57.30	-0.22	57.40	57.00	5,374	394
Jan	58.60	-0.17	58.50	58.45	2,351	483
Total					88,044	42,988

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	105.35	-0.05	105.35	105.00	387	26
Nov	106.45	-	106.70	106.00	2,356	247
Jan	108.50	-0.05	108.50	108.00	1,460	35
Mar	110.15	-0.10	110.20	109.75	671	23
May	111.85	+0.05	111.85	111.75	726	40
Jul	113.65	-	113.85	113.65	147	21
Total					5,758	392

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

Sep	333/0	+5/4	334/0	326/0	91,815	14,845
Dec	345/4	+4/0	347/4	340/0	148,825	28,745
Mar	352/6	+5/6	353/0	346/0	35,755	3,500
May	347/4	+6/4	347/4	340/6	1,806	125
Jul	328/0	+2/0	327/0	324/0	4,320	490
Dec	336/0	+2/0	-	-	10	-
Total					283,725	47,705

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

Sep	219/0	+2/0	219/2	217/2	241,395	27,785
Dec	221/2	+1/6	221/4	219/0	591,815	61,975
Mar	230/0	+1/4	230/4	228/0	115,865	9,835
May	236/4	+1/4	237/0	234/4	41,610	2,025
Jul	240/4	+1/4	240/6	238/6	40,840	2,875
Sep	242/4	+1/2	242/4	241/2	2,860	195
Total					1,059M	105,345

■ BARLEY LCE (£ per tonne)

Sep	103.40	+0.50	-	-	102	-
Nov	104.65	+0.25	104.65	104.00	485	23
Jan	106.75	+0.45	106.75	106.10	33	6
Mar	107.65	-	-	-	38	-
May	109.25	-	-	-	1	-
Total					659	31

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

Aug	589/2	-1/4	590/4	579/0	101,325	31,105
Sep	575/4	+1/0	578/0	565/0	63,130	13,575
Nov	566/4	+3/2	567/0	555/0	335,520	99,890
Jan	574/2	+3/4	574/4	563/4	48,145	4,450
Mar	581/4	+2/4	582/2	572/0	17,485	3,145
May	588/2	+3/2	588/4	578/0	17,955	1,940
Total					622,598	155,970

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

Aug	24.48	+0.06	24.52	24.08	14,354	4,043
Sep	24.42	+0.11	24.44	23.97	20,631	3,385
Oct	23.86	+0.09	23.90	23.42	13,429	1,639
Dec	23.49	+0.10	23.52	22.97	37,344	8,527
Jan	23.48	+0.09	23.49	22.95	3,723	200
Mar	23.48	+0.09	23.49	22.93	3,833	369
Total					97,421	18,724

■ SOYABEAN MEAL CBT (100 tons; $/ton)

Aug	178.9	+0.1	177.0	175.5	18,069	5,103
Sep	176.2	+0.2	176.5	174.8	16,521	3,012
Oct	175.2	+0.9	175.4	173.8	10,315	1,063
Dec	175.3	+0.7	175.6	173.8	28,369	8,560
Jan	176.0	+0.5	176.2	174.5	3,401	645
Mar	177.3	+0.4	177.5	175.9	2,873	404
Total					85,754	17,148

■ POTATOES LCE (£/tonne)

Nov	90.0	-	-	-	-	-
Mar	105.0	-	-	-	-	-
Apr	231.5	+0.2	239.0	231.5	1,166	211
May	240.0	-	-	-	-	-
Jun	107.5	-	-	-	-	-
Total					1,166	211

■ FREIGHT (BIFFEX) LCE ($10/index point)

Jul	1442	-1	1445	1440	537	27
Aug	1380	-7	1391	1380	814	150
Sep	1385	-8	1393	1385	243	65
Oct	1412	-8	1423	1412	510	24
Jan	1424	-6	1425	1424	280	9
Apr	1438	-5	-	-	102	-
Total					2,548	285

	Close	Prev
BFI	1440	1437

Minor Metals
European free market, from Metal Bulletin, $ per lb in warehouse, unless otherwise stated (last week's in brackets, where changed). Antimony: 99.6%, $ per tonne, 4,800-5,050 (4,650-4,900). Bismuth: min. 99.99%, tonne lots 3.80-4.20 (3.50-4.15). Cadmium: min. 99.5%, 95-105 (63-75) cents a pound. Cobalt: MB free market, 99.8%, 22.80-23.80; 99.3%, 18.30-19.00 (18.60-19.50). Mercury: min. 99.99%, $ per 76 lb flask, 105-125. Molybdenum: drummed molybdic oxide, 3.45-3.55. Selenium: min 99.5%, 3.50-4.45. Tungsten ore: standard min. 65%, $ per tonne unit (10kg) WO_3, cif, 37-47. Vanadium: min. 98%, cif, 1.40-1.50. Uranium: Nuexco exchange value, 7.10.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	1048	+3	1048	1048	229	16
Sep	1064	+6	1069	1053	18,881	1,526
Dec	1077	+7	1080	1064	31,098	1,025
Mar	1089	+8	1102	1085	29,349	784
May	1108	+8	1108	1098	10,123	188
Jul	1116	+10	1116	1114	3,985	5
Total					105,924	3,605

■ COCOA CSCE (10 tonnes; $/tonnes)

Sep	1414	-3	1433	1410	38,386	8,263
Dec	1455	-5	1475	1455	18,761	4,653
Mar	1492	-5	1505	1492	7,637	227
May	1510	-7	1510	1508	2,855	10
Jul	1530	-7	-	-	2,344	-
Sep	1550	-7	-	-	1,092	-
Total					75,337	14,159

■ COCOA (ICCO) (SDR's/tonne)

Jul 25	Price	Prev. day
Daily	1088.71	1105.29
10 day average	N/A	N/A

■ COFFEE LCE ($/tonne)

Jul	3471	+101	3420	3420	321	5
Sep	3473	+90	3495	3410	18,148	2,243
Nov	3468	+98	3475	3410	8,621	2,836
Jan	3460	+98	3460	3400	10,233	1,503
Mar	3430	+75	3450	3393	3,437	292
May	3423	+60	3430	3425	876	13
Total					42,845	6,891

■ COFFEE "C" CSCE (37,500lbs; cents/lbs)

Sep	206.10	-1.10	217.75	202.00	20,216	7,702
Dec	211.15	-1.35	221.00	206.00	11,728	2,309
Mar	215.00	-2.80	222.50	210.00	5,165	279
May	217.10	-2.40	221.00	212.00	1,700	67
Jul	218.70	-2.30	218.50	218.50	331	4
Sep	220.20	-2.05	-	-	39	-
Total					38,418	10,352

■ COFFEE (ICO) (US cents/pound)

Jul 25	Price	Prev. day
Comp. daily	185.13	195.16
15 day average	194.30	193.50

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

Oct	12.05	-0.05	-	-	1,400	-
Jan	11.82	-	-	-	-	-
Mar	11.85	+0.02	-	-	90	-
Total					1,490	-

■ WHITE SUGAR LCE ($/tonne)

Oct	315.80	-0.10	316.00	314.00	10,776	876
Dec	314.80	+2.00	314.60	312.00	1,005	31
Mar	313.60	+2.20	313.80	310.90	4,010	296
May	312.80	+2.30	312.80	310.40	375	22
Aug	311.90	+1.80	312.00	311.70	345	10
Oct	298.80	+1.30	298.80	297.00	174	2
Total					16,685	1,237

■ SUGAR "11" CSCE (112,000lbs; cents/lbs)

Oct	11.72	-0.08	11.81	11.63	65,013	6,117
Mar	11.65	-0.01	11.68	11.55	31,530	2,910
May	11.58	-	11.61	11.50	6,430	270
Jul	11.51	+0.01	11.54	11.47	2,649	88
Oct	11.42	+0.01	11.41	11.28	1,169	69
Mar	11.35	+0.06	11.35	11.35	166	3
Total					106,962	9,457

■ COTTON NYCE (50,000lbs; cents/lbs)

Aug	72.00	-0.70	-	-	5	5
Oct	73.45	-0.70	74.45	73.40	8,902	3,100
Dec	73.20	-0.60	74.00	73.12	29,609	13,679
Mar	74.50	-0.50	75.30	74.40	7,108	505
May	75.15	-0.60	75.55	75.15	4,215	216
Jul	75.80	-0.80	76.60	75.80	2,464	171
Total					51,727	17,847

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

Sep	95.35	-0.05	96.00	94.10	14,124	723
Nov	98.40	+0.20	98.90	97.60	3,223	252
Jan	101.55	+0.25	102.00	101.00	3,842	464
Mar	104.75	+0.25	104.95	103.75	2,400	109
May	107.75	+0.20	106.40	106.40	716	-
Jul	108.75	+0.25	-	-	184	-
Total					24,691	1,565

VOLUME DATA
Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Jul 26	Jul 25	month ago	year ago
2135.0	2146.4	2027.4	1699.3

■ CRB Futures (Base: 4/9/56=100)

Jul 25	Jul 22	month ago	year ago
232.78	233.08	227.76	218.50

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Aug	68.175	-0.075	68.500	67.825	22,505	6,242
Oct	71.250	+0.275	71.300	70.700	24,757	3,972
Dec	70.600	+0.300	70.650	70.300	12,883	1,586
Feb	69.975	+0.325	70.000	69.500	9,917	1,075
Apr	71.150	+0.375	71.150	70.700	5,284	465
Jun	67.900	+0.150	67.950	67.750	1,218	37
Total					76,477	13,402

■ LIVE HOGS CME (40,000lbs; cents/lbs)

Aug	46.375	+0.275	46.400	45.750	8,490	3,766
Oct	42.225	+0.175	42.250	41.800	10,850	4,197
Dec	41.450	-	41.525	41.125	4,616	918
Feb	40.675	-0.250	41.250	40.825	1,498	310
Apr	40.075	-0.025	40.250	40.000	898	71
Jun	44.800	-0.025	44.900	44.600	-	-
Total					26,507	9,309

■ PORK BELLIES CME (40,000lbs; cents/lbs)

Aug	31.000	+0.075	31.500	30.900	3,596	1,926
Feb	43.150	-1.125	44.650	42.975	3,896	905
Mar	43.200	-0.550	44.150	42.300	123	31
May	43.800	-1.200	44.500	43.800	44	5
Jul	44.800	-0.850	44.600	44.800	28	2
Aug	43.800	-	-	-	-	-
Total					7,996	2,898

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	Sep	Dec	Sep	Dec
1500	33	72	54	75
1525	24	61	70	89
1550	17	52	87	104
■ COPPER (Grade A) LME	Sep	Dec	Sep	Dec
2500	62	101	69	117
2550	41	80	98	146
2600	26	63	134	178
■ COFFEE LCE	Sep	Nov	Sep	Nov
3600	177	397	304	529
3650	160	381	337	563
3700	145	366	372	598
■ COCOA LCE	Sep	Dec	Sep	Dec
1000	75	123	11	46
1050	42	95	28	68
1100	20	72	56	95
■ BRENT CRUDE IPE	Sep	Oct	Sep	Oct
1700	-	-	17	46
1750	49	74	39	-
1800	25	41	-	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Sep)

		+or-
Dubai	$16.31-6.39w	-0.010
Brent Blend (dated)	$17.41-7.42	-0.080
Brent Blend (Sep)	$17.58-7.59	-0.090
W.T.I. (1pm est)	$19.17-9.19w	-0.200

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$193-195	+1
Gas Oil	$151-152	
Heavy Fuel Oil	$98-100	-2
Naphtha	$165-168	-1.5
Jet fuel	$164-166	

Petroleum Argus Estimates

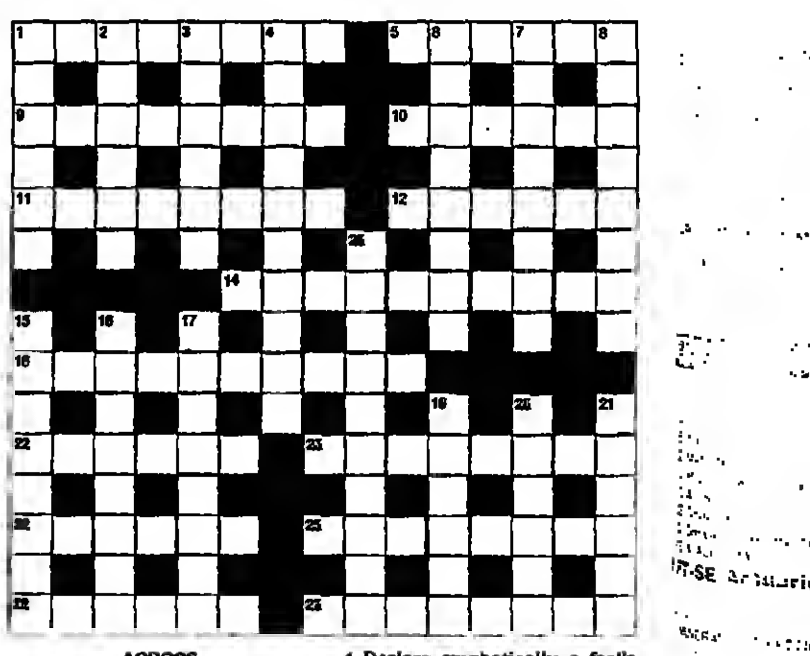
■ OTHER

Gold (per troy oz)♣	$386.30	+1.10
Silver (per troy oz)♣	532.50c	+3.00
Platinum (per troy oz.)	$421.75	+5.00
Palladium (per troy oz.)	$151.00	+3.50
Copper (US prod.)	119.0c	
Lead (US prod.)	37.75c	
Tin (Kuala Lumpur)	13.60m	-0.10
Tin (New York)	244.50c	-2.00
Zinc (US Prime W.)	Unq.	
Cattle (live weight)†⊙	117.08p	-2.74*
Sheep (live weight)†♠⊙	87.71p	-9.14*
Pigs (live weight)⊙	71.31p	-1.78*
Lon. day sugar (raw)	$300.1	-1.8
Lon. day sugar (wte)	$343.0	-1.0
Tate & Lyle export	£309.0	
Barley (Eng. feed)	£107.5t	
Maize (US No3 Yellow)	$143.5	
Wheat (US Dark North)	£160.0	
Rubber (Sep)♥	97.00p	+1.00
Rubber (Oct)♥	95.00p	
Rubber KL RSS No1 Aug	356.5m	+13.0
Coconut Oil (Phil)§	$580.0z	+2.5
Palm Oil (Malay.)§	$545.0q	+20.0
Copra (Phil)§	$405	
Soyabeans (US)	£179.0z	+3.0
Cotton Outlook 'A' Index	83.90c	+1.20
Wooltops (64s Super)	425p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. t Oct/Dec. q Aug. z Aug/Sep w Sep. ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♠ Sheep (Live weight prices). * Change on week, provisional prices.⊙ Prices are for previous day.

CROSSWORD

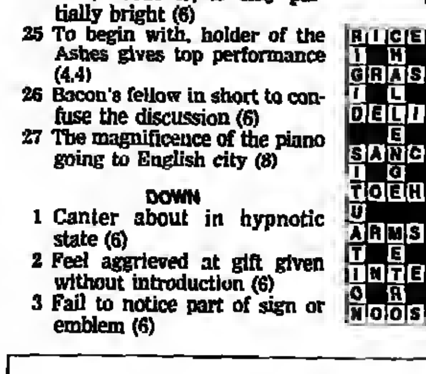
No.8,516 Set by QUARK



ACROSS
1 Pub mostly associated with a student after university period's end (8)
5 It results from work on the locks (6)
9 One with a burning passion (8)
10 In opposition to some rivers. Usk, say? (6)
11 Engineer's tin cover collapses (8)
12 Change route riding initially in car (6)
14 Mode of travel for the sorceress (10)
18 Instrument's excellent set of pipes (5-5)
22 Feel ill in the sea when posted (6)
23 Form opinion about tea-time's break (8)
24 Fool, about 49, is only partially bright (6)
25 To begin with, holder of the Ashes gives top performance (4,4)
26 Bacon's fellow in short to confuse the discussion (6)
27 The magnificence of the piano going to English city (8)

DOWN
1 Canter about in hypnotic state (6)
2 Feel aggrieved at gift given without introduction (6)
3 Fail to notice part of sign or emblem (6)
4 Declare emphatically a fool's always consumed (10)
6 Hole knocked in a custom in the pub (8)
7 Check the holiday water (8)
8 The batsman could be out (2,6)
13 He's the type to be corrected (10)
15 Comes out with nervous twitch. Applied to face? (8)
16 Setting off in the car? (8)
17 The girl's around in charge producing decoration for sweets (8)
19 Channel Island market place for fruit (6)
20 Description of certain student as graduate? True, possibly (6)
21 Note the milk curdler is producing turn (6)

Solution 8,515



LONDON STOCK EXCHANGE

MARKET REPORT

CBI report well received in more active trade

By Terry Byland,
UK Stock Market Editor

The confident trend among manufacturers in the latest Confederation of British Industry report sent the UK stock market ahead yesterday, although shares came off the top as British government bonds shied away from the report's warning about upward pressures on prices. Trading volume was better than on Monday but still below the level generally considered satisfactory by the London-based securities houses.

Early trading saw the FT-SE 100 Index gain nearly 27 points to 3,132.8, encouraged by a strong opening in stock index futures. But this proved to be the best of the day and shares retreated as the bond market began to react negatively to the CBI report of potential price inflation.

At the close, the FT-SE gain had been trimmed to 11.1 for a reading of 3,117.2. The market was also restrained by a dull start on Wall Street, where the Dow Industrial Average shed 10 points in UK hours as the US dollar gave ground.

Some dollar stocks ended the session lower, among them Shell Transport, a prominent Footsie stock, as investors took profits following confirmation of the sale of the Billiton interests to Gencor of South Africa. Traders maintained that the fall in Shell shares would prove to be short-lived and that there was nothing in the Billiton deal to unsettle investors.

The FT-SE Mid 250 Index held a gain of 17.1 points to 3,641.1 and the overall tone of the market remained very firm. Traders said that the CBI report had been very well received, with its disclosure that manufacturing orders were growing at the highest rate for nearly six years serving to confirm the stock market perception that economic recovery is showing through strongly in terms of higher earnings and prospective dividend payments at British companies.

Seaq volume of 551.7m shares compared with 431.4m on Monday when retail business returned a total worth of £1.02bn. World markets are still relatively quiet, while awaiting the week's sole highlight in the form of the latest US gross domestic product numbers, due on Friday.

Confidence ahead of the flow of results from the UK financial and banking sector, which opens today with figures from Lloyds Abbey Life, was encouraged by the favourable reception from the German stock market for first half figures from Deutsche Bank.

There were gains in a number of other blue chip shares which are on the point of disclosing trading results. Reuters and ICI, both with interim results due this week, closed firmly, and the confident tone of the banking sector overflowed into the insurance stocks.

Pharmaceuticals also brushed off dollar weakness as several of the sector leaders continued to stabilise after somne recent uncertainty. Wellcome remained firm, under the influence of last week's trading statement.

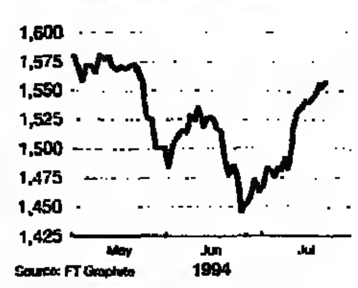
Hopes that the recovery in manufacturing industry will soon spill over into consumer spending brought some buyers in for the store and retail issues, which have been marking time as market attention has focused on the engineering and industrial sectors.

But trading volume in these traditionally active retail issues was fairly modest and analysts doubted whether investment views towards the sectors had changed significantly.

Futures markets provided most of the lead for equities and at one time a premium of more than 20 points against cash was reached on the September FT-SE futures contract. This premium began to weaken a little in later trading.

This morning will feature the auction of £2bn in British government securities and this could restrain share prices at the opening of today's session in London.

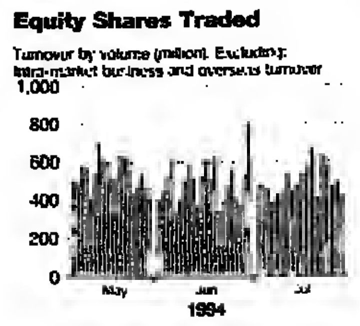
FT-SE-A All-Share index



Source: FT Graphite

Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



■ Key Indicators

Indices and ratios

FT-SE 100	3117.2	+11.1	FT Ordinary index	2420.6	+10.7
FT-SE Mid 250	3641.1	+17.1	FT-SE-A Non Fins p/e	19.63	(19.57)
FT-SE-A 350	1571.2	+6.0	FT-SE 100 Fut Sep	3134.0	+7.0
FT-SE-A All-Share	1557.85	+5.72	10 yr Gilt yield	8.37	(8.33)
FT-SE-A All-Share yield	3.81	(3.82)	Long gilt/equity yld ratio:	2.24	(2.25)

Best performing sectors		Worst performing sectors	
1 Tobacco	+2.4	1 Extractive Inds	-1.0
2 Media	+1.2	2 Oil Exploration & Prod	-0.9
3 Banks	+1.2	3 Mineral Extraction	-0.9
4 Water	+1.2	4 Oil, Integrated	-0.8
5 Building Materials	+1.2	5 Telecommunications	-0.3

Billiton sale news hits Shell

News that Shell Transport was poised to conclude the sale of its Billiton metals business provided a motive to mark down the share price when it was announced late yesterday.

The announcement that Gencor of South Africa had agreed to buy the most of Shell's Billiton upstream assets for $1.14bn after charges contained no surprises.

However, the shares had driven up by almost 10 per cent since the start of the month and one oil specialist pointed out that while they normally traded at a significant yield premium to the market the rising share price had pushed the yield towards par.

Also, the US oil majors began their reporting season this week and the figures have tended to match the gloomy forecasts. The picture was compounded by disappointing figures from Chevron yesterday.

Shell Transport shares ended tha day 10 lower at 732p, although the day's final turnover of 2.5m shares suggested that the bears were merely shadow boxing.

Food retailers firm

Food retail stocks were a generally bright picture as a combination of broker upgrades and continuing takeover talk underpinned the sector. But William Low was one weak spot as investors swayed over whether there would be a counter bid to the £154m agreed offer from Tesco. Low shares slid 10 to 268p, with turnover reaching 3.5m. Tesco was 1¼ lighter at 236½p. J Sainsbury, which is currently considering whether to enter the fray for Low's, added 5 to 411p. At the same time, the market's attention turned towards another northern-based supermarket chain, Morrison Supermarkets, as a potential alternative. The shares ended 3 ahead at 131p.

Elsewhere in the sector, both Hoare Govett and SG Warburg were making positive noises on selected food stocks. The latter shifted to a buy on Argyll Group, the shares responding with a rise of 3½ to 272½p. Profits forecast for the current year were raised by £16m to £400m, while the 1995-6 estimate was lifted the same amount to £440m.

The 13-year battle for control of the Savoy Group appeared to heat up as the luxury hotel group announced that it had "become aware of talks between hotels group Forte and certain trusts, which have a significant shareholding in The Savoy." The statement added that the discussions could affect the eventual management of the group. The news boosted Forte shares which closed 5 ahead at 231½p on a hefty 7.7m traded. Savoy 'A' shares slipped 3 to 970p.

Analysts interpreted the terse statement as the management's response to Forte's quiet but gathering campaign to wrest control of the Savoy, a situation which has simmered since Forte's failed bid in 1981. The two camps have a stand-off arrangement whereby Forte will give 12 months notice of a hostile bid. Forte holds just over 42 per cent of voting rights in Savoy, while Mr Rocco Forte, Forte's chief executive, sits on the Savoy board.

However, Forte's grand plan of creating a luxury hotel chain centred on the Savoy group has been an open secret in leisure circles and lobbying of Savoy shareholders has been taking place – a move confirmed by yesterday's statement.

ICI, the UK's leading chemicals company edged a penny higher to 840p, notching up a gain of 8.5 per cent over the past fortnight ahead of second quarter figures tomorrow.

The shares have outperformed a rising FT-A All Share Index by five percentage points over the same period and many dealers were beginning to suggest that the company would have to pull something extra out of the hat if it was to hold on to recent gains.

"The range is £110m to £140m with most of the City around £130m but the company historically disappoints and there could well be some profit taking with the figures," commented one seasoned chemicals analyst.

Support for BAT Industries, the tobacco and insurance conglomerate, moved ahead in front of interims today. The shares improved 11 to 443p.

Elsewhere among internationally traded stocks, Reuters Holdings, which is also expected to announce interim figures today, bounced 15 to 480p as a heavy selling order carried out by one leading US house was said to have been completed. Also, NatWest Securities reiterated its buy recommendation. Forecasts for the half year profits range from £235m to £254m.

Barclays recovered from previous weakness as the shares took some heart from a piece of research published by Smith New Court ahead of the sector's results season which begins with Lloyds on Friday.

Smiths argue that: "In a mature market with commoditised products banks are showing signs of going ex-growth". However it believes Barclays will head the cost cutting required and provide a seed bed for growing operating profits. Barclays bounced 9 to 551p while Lloyds came off the top to close 7 better at 567p after 5762p earlier.

Automotive and aerospace group Lucas Industries shrugged off Monday's weakness to close 3½ ahead at 196½p, with Williams de Broe recommending the shares. A slide early in the week was halted after the company dismissed a press report that it was under investigation in the US for falsifying inspection of parts for commercial aircraft.

Williams de Broe urged investors to buy the stock and cited the "recovery potential in the automotive business" for the recommendation.

Rolls-Royce fell 6 to 183p, in trade of 2.3m with S.G. Warburg said to have had the day's main seller of the stock.

Engineering group Whessoe tumbled 26 to 68p, after the company warned it would make a loss for the year and would pass the final dividend.

A squeeze was reported in both Hall Engineering and McKechnie. The former jumped 20 to 195p, while the latter put on 12 to 482p.

News that services group Inchcape has teamed up with Coca-Cola to invest in six bottling franchises in Russia cheered the market. The shares appreciated 5 to 461p.

Firm platinum prices boosted Lonrho and the shares gained 3 to 132½p.

Strong demand for airports group BAA ahead of Friday's first quarter figures saw the shares advance 10 to 994p.

A stock overhang was said to have undermined Taunton Cider, off 7 at 173p. The strong Confederation of British Industry export figures helped selected spirits companies. Matthew Clark advanced 9 to 558p and Highland Distilleries was ahead 8 at 432p.

MARKET REPORTERS:
Peter John,
Christopher Price,
Joel Kibazo.

■ Other statistics, Page 30

NEW HIGHS AND LOWS FOR 1994

NEW HIGHS (46).

BUILDING & CNSTRN (1) Amey, BLDG MATLS & MCHTS (1) Grafton, CHEMICALS (1) BOC, DISTRIBUTORS (2) Faber Prest, Northamber, DIVERSIFIED INDLS (1) Mitsubishi, ELECTRNC & ELECT EQUP (5) Dewhurst 'A', Nokia Prf., Racal Elect, Thorpe (F.W.), Unitech, ENGINEERING (3) Booth Inds, Expamet Int'l, Thyssen, ENG. VEHICLES (1) UPF, EXTRACTIVE INDS (2) Pacific Arc Expln, Western Areas, HEALTH CARE (1) Baxter Int'l, INSURANCE (1) Alex. & Alex. Servs. 11pc Cv Dbs. 2001, INVESTMENT TRUSTS (8) Derby Tst. Cap., Fleming Indian, HTR Japanese Smaller, M & G Recovery Cap., Do. Geared Units, Pantheon Ln '95/31, Throgmtn Dual, Yeoman, INVESTMENT COMPANIES (3) China Inv & Dev, Japan OTC Inc. Warrants, Onyx Fd, LEISURE & HOTELS (2) Boosey & Hawkes, London Clubs, MEDIA (1) Metro Radio, OIL, INTEGRATED (2) Brit Petm, Burmah Castrol, OTHER FINANCIAL (1) Jupiter Tyndall, PRTNG, PAPER & PACKG (1) Sappi, RETAILERS, FOOD (3) Greggs, Morrison (Wm) Supermarkets, Do. Prf., RETAILERS, GENERAL (1) Blocks Leisure, SUPPORT SERVS (2) Admiral, Manpower, TRANSPORT (2) National Express, TNT, AMERICANS (1) Amer. Cyanamid.

NEW LOWS (29).

BUILDING & CNSTRN (1) Bare, BLDG MATLS & MCHTS (1) Anglian, CHEMICALS (1) Wardle Storeys, DISTRIBUTORS (1) Litho Supplies, ELECTRNC & ELECT EQUP (2) Azlan, Scantronic, ENGINEERING (2) Billam (J.), Whessoe, EXTRACTIVE INDS (1) Northam Platinum, FOOD MANUF (1) Kaya Food, HEALTH CARE (1) Tepnel Diagnostics, HOUSEHOLD GOODS (1) Joyes, INSURANCE (1) Angerstein Warrants, INVESTMENT TRUSTS (1) First Spanish Warrants 1997, MEDIA (2) Blenheim, Do. 6.4pc Pf, OTHER FINANCIAL (2) Investment Co., London Forfaiting, PROPERTY (2) Peel, Specialty Shops, RETAILERS, FOOD (2) Brake Bros., Farepak, SUPPORT SERVS (3) Penna, Quality Software Prods, Virtuality, TEXTILES & APPAREL (1) Lowe (R.H.).

EQUITY FUTURES AND OPTIONS TRADING

The near month Footsie futures contract broke through two resistance levels after a squeeze sent it sharply ahead in thin trading, *writes Joel Kibazo.*

The September contract on the FT-SE 100 opened at 3,125 and the first hour was marked by inactivity.

However, a buying order from a US dealer that was given to three UK houses for executinn enlivened an otherwise dull market and brought a mid-morning squeeze That sharp upward movement saw the contract break through the 3,033 and 3,046 resistance levels to reach the day's high of 3,055.

September relinquished some of the earlier gains in the afternoon as dealers turned their attention to the weakness in gilts and the poor opening on Wall Street. The contract held on to a strong premium to cash for most of the session which encouraged arbitrage trading

It closed at 3,145, at a 26 point premium to cash. Volume at 10,155 lots remained low.

In traded options, an equipment breakdown left many dealers unable to update prices for several hours in the first part of the session. Turnover was 19,228 contract, only slightly above the previous total, with 6,502 lots dealt in tha FT-SE 100 option and 2,089 in the Euro FT-SE option. Today sees the expiry of the July series stock options.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	3125.0	3134.0	7.0	3165.0	3121.0	10155	50289
Dec	-	3144.5	7.0	-	-	-	2018

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	-	3661.0	26.0	-	-	0	4425

■ FT-SE MID 250 INDEX FUTURES (OMLX) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	-	3,661.0	-	-	-	-	636

All open interest figures are for previous day. † Exact volume shown.

■ FT-SE 100 INDEX OPTION (LIFFE) (*3118) £10 per full index point

[illegible]

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

[illegible]

■ EURO STYLE FT-SE MID 250 INDEX OPTION (OMLX) £10 per full index point

[illegible]

FT - SE Actuaries Share Indices — The UK Series

	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	2879.4	4.00	6.76	17.50	76.15	1169.82
FT-SE Mid 250	3238.7	3.39	5.66	21.16	81.01	1349.06
FT-SE Mid 250 ex Inv Trusts	3250.7	3.54	6.15	19.70	84.62	1346.62
FT-SE-A 350	1438.0	3.86	6.51	18.23	37.60	1206.81
FT-SE SmallCap	1635.57	3.07	4.27	30.66	32.68	1411.23
FT-SE SmallCap ex Inv Trusts	1632.54	3.25	4.71	28.33	33.91	1389.99
FT-SE-A ALL-SHARE	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ FT-SE Actuaries All-Share

[illegible]

■ Hourly movements

[illegible]

■ FT-SE Actuaries 350 Industry baskets

[illegible]

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
ASDA Group†	11,000	56½	-¼
Abbey National†	1,000	414	+5
Albert Fisher	1,000	44	
Allied-Lyons†	1,000	582	+1
Anglian Water	197	514	+6
Argos	236	354	+2
Argyll Group†	4,700	272½	+3½
Arjo Wiggins†	789	292	
Assoc. Brit. Foods†	307	[illegible]	

[illegible]

LONDON EQUITIES

LIFFE EQUITY OPTIONS

[illegible]

FT GOLD MINES INDEX

[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	14	37	20
Other Fixed Interest	2	4	9
Mineral Extraction	83	36	81
General Manufacturers	182	65	403
Consumer Goods	57	19	114
Services	120	76	308
Utilities	23	10	12
Financials	136	42	191
Investment Trusts	199	10	257
Others	54	28	49
Totals	870	327	1444

Data based on those companies listed on the London Share Service

TRADITIONAL OPTIONS

Calls: Flagstone, Greenwich Res, HTV. Puts: HTV. Puts & Calls: Marks & Spencer, Tullow Oil.

LONDON RECENT ISSUES: EQUITIES

[illegible]

RIGHTS OFFERS

[illegible]

FINANCIAL TIMES EQUITY INDICES

[illegible]

LONDON SHARE SERVICE

BANKS

	Notes	Price	+ or -	1994 high	low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl		£22$\frac{13}{16}$	+$\frac{3}{8}$	£23$\frac{1}{8}$	£20$\frac{1}{2}$	6,376	5.2	ф
ANZ A$		280$\frac{1}{2}$	+1$\frac{1}{4}$	278$\frac{3}{4}$	179$\frac{1}{4}$	2,869	4.9	29.4
Abbey National	N	414	+5	523	351	5,491	4.2	13.9
Allied Irish I£	♣N	256	—	314	234	1,686	4.8	9.0
Anglo Irish I£	N	20	-1	*79	38	199.6	7.4	10.6
Asahi Y		782$\frac{1}{2}$	+16$\frac{1}{4}$	819$\frac{1}{4}$	625	18,130	0.6	ф
Banco Bil Viz Pta		219$\frac{13}{16}$	+$\frac{3}{8}$	218$\frac{7}{8}$	274$\frac{1}{8}$	3,558	5.5	6.7
Banco Sant Pta		£27$\frac{7}{16}$	-2$\frac{1}{16}$	*£30$\frac{1}{2}$	£23$\frac{1}{4}$	4,203	5.1	9.6
Bk Ireland I£	♣	289	—	*319	246	1,223	4.7	8.1
Bank Scotland	♣♣N	195	—	247	172$\frac{1}{2}$	2,168	3.4	15.2
9$\frac{1}{4}$pc Pf		117$\frac{3}{4}$	-$\frac{1}{4}$	141$\frac{1}{2}$	114	117.8	2.6	-
9$\frac{3}{4}$pc Pf		122	-$\frac{1}{2}$	149$\frac{1}{2}$	119$\frac{3}{4}$	122.0	12.6	-
Barclays	♣N	501	+9	640	487	8,954	3.4	22.6
Dai Ichi Kan Y		£11$\frac{7}{8}$	+$\frac{1}{16}$	£12$\frac{1}{2}$	£10$\frac{1}{8}$	37,039	0.5	61.6
Deutsche DM		£290$\frac{13}{16}$	+5$\frac{1}{2}$	£344$\frac{1}{4}$	£270$\frac{1}{8}$	14,450	2.2	-
Espirito Santo		£18$\frac{13}{16}$	+$\frac{1}{2}$	£22$\frac{5}{16}$	£17$\frac{1}{16}$	201.4	4.2	4.6
First Nat Fin	N	95xd	-1	*90	80	107.8	2.9	-
6.3pc Cv Pf		78xd	—	*98	17	5.24	10.1	-
7pc Cv Pf		127$\frac{1}{2}$xd	-1$\frac{1}{2}$	171	133	60.5	6.9	-
Fuji Bank Y		1498$\frac{3}{4}$	+22$\frac{1}{4}$	1549$\frac{1}{4}$	1152$\frac{1}{2}$	43,347	0.4	ф
HSBC HK	N	769	+10	1133	680	13,440	3.8	11.1
HSBC (75p Shs)	N	751	+8	1113	660	6,376	3.9	10.9
Lloyds	N	567	+7	665	519	7,337	4.9	12.0
Mitsubishi Y		£17$\frac{1}{4}$	+$\frac{1}{4}$	£18$\frac{1}{2}$	£15$\frac{5}{8}$	48,665	0.3	ф
Mits 1st & Bk Y		1043$\frac{1}{4}$	+7	1182$\frac{1}{4}$	687$\frac{1}{2}$	12,501	0.5	15.7
Mitsui Tst & Bk Y		764$\frac{1}{2}$	+18$\frac{1}{2}$	879	514	9,159	0.7	24.4
Nat Aust A$	†	534xd	+3	629$\frac{3}{4}$	489$\frac{3}{4}$	7,140	5.4	10.8
NatWest	N	470	+5	622	421	7,820	4.9	10.7
Ottomane FFr		223$\frac{1}{2}$	—	233	223$\frac{1}{2}$	117.8	6.2	ф
Ryl Bk Scotland	♣†N	385	+8	528	377$\frac{1}{2}$	3,165	3.8	17.9
Sakura Y		£9$\frac{1}{2}$	+$\frac{1}{16}$	£9$\frac{11}{16}$	£8$\frac{1}{16}$	29,827	0.6	52.9
Sanwa Y		213$\frac{13}{16}$	+$\frac{1}{2}$	£15$\frac{1}{4}$	£11$\frac{3}{4}$	40,541	0.4	ф
Standard Chartd	N	252	-2	*359$\frac{1}{4}$	223	2,421	3.0	11.1
7 3/8pc Pf		93$\frac{1}{2}$	+$\frac{1}{8}$	108$\frac{1}{2}$	89$\frac{1}{4}$	93.5	9.9	-
Sumitomo Y		£12$\frac{1}{16}$	+$\frac{1}{8}$	£16$\frac{1}{8}$	£11$\frac{1}{2}$	40,537	0.4	20.1
Sumitomo Tst Y		986$\frac{1}{2}$	+9$\frac{1}{2}$	1148$\frac{1}{2}$	825	12,269	2.6	ф
TSB	†N	211	+5	291	197	3,200	4.9	10.5
Tokai Y		£8$\frac{5}{8}$	+$\frac{1}{8}$	£9	£8$\frac{1}{16}$	17,522	0.7	51.2
Toyo Tst & Bk Y		782$\frac{1}{2}$	+13$\frac{1}{2}$	862	588$\frac{3}{4}$	6,149	0.7	85.6
Westpac A$		232	+3	260	124	4,223	2.4	ф
Yasuda Tst Bk Y	‡	614	+12$\frac{1}{2}$	696	442	6,772	2.6	51.5

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

FOOD MANUFACTURERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LEISURE & HOTELS - Cont.

LIFE ASSURANCE

MEDIA

MERCHANT BANKS

OIL EXPLORATION & PRODUCTION

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TRANSPORT - Cont.

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GUIDE TO LONDON SHARE SERVICE

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

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FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

AUTHORISED UNIT TRUSTS

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Grs
AIB Unit Trust Managers Limited (1000)F						
51 Belmont Rd, Uxbridge, Middx UB8 1RZ 0895 259783						
AIB Grofund American	5	158.7	157.0	168.3	+1.08	0.08
AIB Grofund Equity	5	234.1	236.9	250.7	+1.60	1.69
AIB Grofund Euro	5	200.5	207.6	212.5	+2.40	0.07
AIB Grofund Ext Balanced	3	114.2	115.5	119.0	+4.00	2.03
Acc Grofund Gilt	3	75.24	75.25	77.58	+0.48	5.69
AIB Grofund Japan	5	199.4	207.3	211.8	+0.10	0.00

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

FT MANAGED FUNDS SERVICE

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Thornton Unit Managers Ltd - Contd.

[illegible]

Waverley Unit Tst Mngmt Ltd (1000)F

13 Charlotte Sq, Edinburgh

[illegible]

Whittingdale Unit Tst Mngmt Ltd (0830)F

2 Honey Lane, London EC2V 8BT

[illegible]

Woolwich Unit Trust Managers Ltd (1700)H

2 White Oak Square, Swanley BR8 7AG

[illegible]

OTHER UK UNIT TRUSTS

Baillie Gifford & Co Ltd

[illegible]

Baring Investment Mngmt Ltd

[illegible]

CAF - Charity Money Management

[illegible]

INSURANCES

[illegible]

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Scottish Mutual Assurance plc

109 St Vincent St, Glasgow 041-248 6321

Scottish Provident Group

6 St Andrew Sq, Edinburgh 031-556 2652

Sun Alliance Group - Contd.

Sun Life Unit Assurance Ltd

St James Barton, Bristol BS99 7SL 0272 426911

Century Life International Ltd

MANAGEMENT SERVICES

OFFSHORE INSURANCES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

	Bid Price	Offer Price	+ or -	Yield Gross
Worldinvest (Managers) Jersey Ltd				
Worldinvest Inc Fd †	243.43	244.69	—	5.94
Excelsis Global Eqty $ *	77.94	70.34	-0.70	—
Excelsis Stg Fixed Fund Inc *	£11.17	11.248	+0.06	9.69

Valued weekly. * Mondays. † Wednesdays.

LUXEMBOURG (SIB RECOGNISED)

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Abtrust Fund Mngrs Luxembourg SA (x)						
13 rue Goethe L-1637 Luxembourg 010 352 4048461						
Abtrust Atlas Fund						
Global Cap Portfolio		$-	3.130		-0.004	—
United States Portfolio		$-	3.502		-0.002	—
Conti Europe Portfolio		DM-	3.185		-0.009	0.73
Japan Portfolio		Y-	0.791		-0.003	—
Pacific Portfolio		$-	3.385		+0.030	—
Gold Portfolio		$-	3.282		+0.014	—
UK Growth of Income		£-	1.774		-0.001	0.68
Dollar Portfolio		$-	1.895		-0.004	5.12
Sterling Portfolio		£-	1.046		-0.001	5.82
American Phoenix Investment Portfolios (a)						
13 rue Goethe, L-1637 Luxembourg 010 352 4048461						
[illegible]		Ecu-	12.93		+0.10	—
[illegible]		Ecu-	12.52		-0.05	—
BAII Intermarket Fund						
2 Boulevard Royal, Luxembourg 010 352 4580 3362						
NAV Jul 15		$-	570.40		—	—
Bank Von Ernst & Cie AG						
Marktgasse 63/65, 3001 Berne, Switzerland 513114051						
Von Ernst Global Portfolio						
Equity Sub-Funds						
UK Equity		£-	13.15	—	-0.30	—
UK Smaller Co's Eqty		£-	18.05	—	+1.16	—
Nth American Equity		$-	10.08	—	-0.11	—
US Smaller Co's Eqty		$-	10.54	—	-0.02	—
Pacific Basin Equity		$-	19.23	—	+0.45	—
Japanese Equity		Y-	867	—	+19	—
European Equity	5½	DM-	11.14	—	+0.07	6.15
Bond Sub-Funds						
Sterling Fixed Inc		£-	12.64	—	+0.00	—
Sterling Fixed Int Div		£-	9.99	—	-0.12	—
European Fixed Int		DM-	10.83	—	-0.57	—
European Fixed Int Div		DM-	8.72	—	-0.33	—

[illegible]

LUXEMBOURG (REGULATED)(**)

[illegible]

OTHER OFFSHORE FUNDS

[illegible]

CURRENCIES AND MONEY

MARKETS REPORT

Pound slips against yen

The breach of a key technical level of sterling against yen saw the UK currency slip on the foreign exchanges yesterday, *writes Philip Gawith.*

Sterling ignored some good news in the CBI quarterly industrial trends survey and fell below Y150, a level that had held on previous occasions. It closed in London at Y149.533 from Monday's Y151.728.

In thin trading conditions, the dollar slipped to close at Y98 from Y98.685, but was firmer against the D-Mark and finished at DM1.5865 from DM1.576. The market paid little attention to the Conference board's July consumer confidence index which slipped to 91.6, from 92.5 in June.

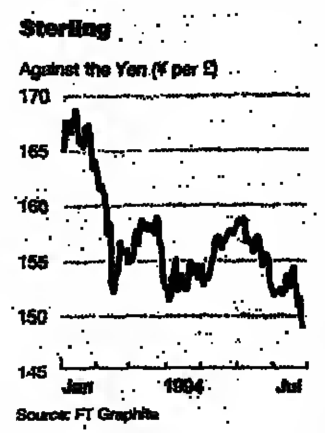
Traders were keeping a close eye on the start of the Whitewater bearings before the House banking committee.

In Europe, the D-Mark lost ground against most currencies. The Portuguese escudo responded positively to a rate cut which was seen as a sign of economic strength. The central bank cut 0.5 of a percentage point off its rates for draining funds and injecting emergency overnight funds, to 10.5 per cent and 13 per cent respectively. The escudo closed unchanged at Es102.3 against the D-Mark, its highest level since late April.

In Israel, the central bank said it was raising short term interest rates by 0.5 of a percentage point to a minimum of 11.8 per cent. The move is aimed at combatting inflation which is expected to rise above the official 8 per cent target for the year.

■ A feature of sterling's weakness has been the breakdown of its close relationship with the dollar. Until recently, statistical studies suggested that as much as 95 per cent of $/£ moves over the past six months could be attributed to moves in the $/D-Mark rate.

When the dollar made a sharp recovery last week, however, sterling failed to follow. Mr Robert Thomas, currency strategist at Natwest Markets, commented: "There was a presumption that the glue that had held sterling to the dollar as the US currency fell would work the other way too, but it seems to have weakened."



■ Pound in New York

Jul 26	Latest	Prev. close
£ spot	1.5235	1.5310
1 mth	1.5225	1.5301
3 mth	1.5217	1.5294
1 yr	1.5178	1.5255

Analysts were at a loss to come up with any fundamental factors which might account for the pound's weakness. The sterling index fell to 78.6, from 79.1, despite the positive news in the CBI survey of manufacturing orders reaching a six year high.

One possibility suggested was the resurgence of talk recently that Tory backbenchers, concerned about the government's popularity, might push for tax cuts this year. This would put pressure on sterling as the UK's fiscal position currently is not judged to be strong enough to accommodate tax cuts.

Another possible factor contributing to sterling weakness was a newspaper report that the European Union might seek to force the UK to comply with the social chapter of the Maastricht treaty. If Mr Major distances himself from Europe, this could lead to selling of sterling in the short term.

■ Part of the explanation for the fairly listless performance of the dollar is that there is little new information to chew on. "From the market's point of view the problem is that we are not likely to see a policy change from the US or Germany for a number of weeks," said Mr Tony Norfield, treasury economist at ABN-AMRO.

The Bundesbank has frozen its repo rate at 4.85 per cent for the next four weeks, while the Federal Reserve is not expected to shift rates before the mid-August FOMC meeting.

This did not stop Mr Wayne Angell, economist at Bear Stearns and former Fed governor, criticising the 4.25 per cent Fed funds rate as too accommodative. He suggested that as many as seven Fed banks might ask for a discount rate hike prior to the August FOMC meeting.

There was also good news for the dollar in the form of supportive interest rate comments emerging from Germany. Mr Hilmar Kopper, chief executive of Deutsche Bank, told the bank's interim press conference that he expected the decline in short term interest rates to continue.

His comments followed overnight observations from Mr Otmar Issing, a Bundesbank board member, who stressed that the "summer break does not mean that we have rolled down the blinds and closed down policy. Rather, we heve made clear that what we want is stability in the money markets and to calm down interest rate expectations," he said.

■ German call money firmed to 4.95/5.05 per cent ahead of today's repo where the rate has been fixed at 4.85 per cent. Ms Alison Cottrell, international economist at Midland Global Markets, predicts that only a low portion of bids are likely to be filled.

"With call money at 5 per cent and rising, and the repo rate a fixed 4.85 per cent, banks will bid for more funds than normal," said Ms Cottrell. There is no downside risk of paying more, and in the expectation that others will do likewise, banks are likely to inflate their bids to ensure they get their share of funds.

The Bank of England provided UK money markets with £450m assistance after forecasting a £550m shortage.

■ OTHER CURRENCIES

Jul 26	£	$
Hungary	155.601 - 155.748	102.000 - 102.050
Iran	2681.00 - 2683.00	1748.00 - 1750.00
Kuwait	0.4541 - 0.4556	0.2977 - 0.2985
Poland	34651.2 - 34713.4	22715.0 - 22745.0
Russia	3122.00 - 3134.20	2046.00 - 2054.00
U.A.E.	5.6004 - 5.6116	3.6715 - 3.6735

POUND SPOT FORWARD AGAINST THE POUND

Jul 26		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	17.0369	-0.0681	292 - 446	17.1375	17.0044	17.0326	0.3	17.0207	0.4	-	-	114.7
Belgium	(BFr)	49.8496	-0.1944	076 - 915	50.1310	49.7160	49.8446	0.1	49.8896	-0.3	49.8896	-0.1	116.2
Denmark	(DKr)	9.5148	-0.0312	110 - 185	9.5547	9.4857	9.5218	-0.9	9.5389	-0.9	9.5819	-0.7	116.8
Finland	(FM)	7.9673	-0.0749	581 - 764	8.0800	7.9580	-	-	-	-	-	-	82.4
France	(FFr)	8.2636	-0.0471	598 - 674	8.3182	8.2494	8.267	-0.5	8.2714	-0.4	8.2539	0.1	109.8
Germany	(DM)	2.4208	-0.0107	194 - 221	2.4360	2.4148	2.4204	0.2	2.4195	0.2	2.3987	0.9	125.3
Greece	(Dr)	365.899	-1.147	662 - 135	367.982	365.199	-	-	-	-	-	-	-
Ireland	(I£)	1.0126	+0.0006	118 - 133	1.0166	1.0090	1.013	-0.5	1.0139	-0.5	1.0174	-0.5	104.1
Italy	(L)	2413.44	-5.92	212 - 475	2422.06	2408.47	2420.14	-3.3	2432.29	-3.1	2485.54	-3.0	76.0
Luxembourg	(LFr)	49.8496	-0.1944	076 - 915	50.1310	49.7160	49.8446	0.1	49.8896	-0.3	49.8896	-0.1	116.2
Netherlands	(Fl)	2.7156	-0.0089	145 - 166	2.7314	2.7110	2.7151	0.2	2.7137	0.3	2.693	0.5	120.1
Norway	(NKr)	10.5450	-0.0523	411 - 489	10.6337	10.5226	10.542	0.3	10.5525	-0.3	10.5385	0.1	88.3
Portugal	(Es)	247.646	-1.117	436 - 855	249.374	246.759	249.376	-8.4	252.556	-7.9	-	-	-
Spain	(Pta)	198.971	-1.121	849 - 093	200.449	198.518	199.418	-2.7	200.276	-2.6	203.256	-2.2	86.1
Sweden	(SKr)	11.8168	-0.1541	065 - 271	11.9847	11.7936	11.8393	-2.2	11.8688	-2.4	12.1093	-2.5	74.1
Switzerland	(SFr)	2.0561	-0.005	548 - 573	2.0690	2.0525	2.0546	0.9	2.0514	0.9	2.0272	1.4	119.4
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	78.6
Ecu	-	1.2648	-0.0051	642 - 653	1.2721	1.2630	1.2657	-0.9	1.267	-0.7	1.2683	-0.3	-
SDR†	-	0.945875	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5258	-0.0069	253 - 262	1.5320	1.5210	-	-	-	-	-	-	-
Brazil	(R)	1.4237	-0.0115	215 - 255	1.4362	1.4214	-	-	-	-	-	-	-
Canada	(C$)	2.1053	-0.0096	044 - 062	2.1135	2.0988	2.1067	-0.8	2.1104	-1.0	2.1375	-1.5	86.1
Mexico	(New Peso)	5.1962	-0.0282	918 - 004	5.2150	5.1835	-	-	-	-	-	-	-
USA	($)	1.5259	-0.0083	255 - 262	1.5323	1.5212	1.525	0.7	1.5241	0.5	1.5202	0.4	63.2
Pacific/Middle East/Africa													
Australia	(A$)	2.0522	-0.0117	510 - 533	2.0694	2.0475	2.0521	0.0	2.0535	-0.3	2.0717	-0.9	-
Hong Kong	(HK$)	11.7874	-0.0644	839 - 908	11.8366	11.7526	11.7835	0.4	11.7824	0.2	11.7895	0.0	-
India	(Rs)	47.8640	-0.2604	473 - 807	48.0640	47.7330	-	-	-	-	-	-	-
Japan	(Y)	149.534	-1.964	423 - 644	151.350	149.110	149.154	3.0	148.389	3.1	144.394	3.4	193.4
Malaysia	(M$)	3.9570	-0.018	553 - 587	3.9712	3.9446	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.5240	-0.0145	223 - 256	2.5335	2.5178	2.5279	-1.9	2.5357	-1.9	2.558	-1.3	-
Philippines	(Peso)	40.2063	-0.2186	156 - 969	40.8150	39.8125	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.7225	-0.0311	208 - 242	5.7463	5.7054	-	-	-	-	-	-	-
Singapore	(S$)	2.3043	-0.0111	032 - 053	2.3129	2.2982	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.6205	-0.0505	169 - 240	5.6899	5.6029	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	6.9350	-0.0761	191 - 518	6.9873	6.9179	-	-	-	-	-	-	-
South Korea	(Won)	1224.42	-7.27	406 - 478	1229.67	1220.76	-	-	-	-	-	-	-
Taiwan	(T$)	40.6090	-0.1994	920 - 259	40.7318	40.4928	-	-	-	-	-	-	-
Thailand	(Bt)	38.0852	-0.2532	612 - 092	38.2770	37.9920	-	-	-	-	-	-	-

†SDR rate for Jul 25. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100.Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Jul 26		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan index
Europe													
Austria	(Sch)	11.1655	+0.015	630 - 680	11.2230	11.1570	11.1682	-0.3	11.1618	0.1	11.0838	0.7	103.9
Belgium	(BFr)	32.6700	+0.05	500 - 900	32.8200	32.6170	32.69	-0.7	32.7275	-0.7	32.79	-0.4	105.4
Denmark	(DKr)	6.2357	+0.0134	347 - 367	6.2596	6.2267	6.2417	-1.2	6.2527	-1.1	6.2897	-0.8	105.1
Finland	(FM)	5.2215	-0.0206	167 - 263	5.2767	5.2167	5.2245	-0.7	5.227	-0.4	5.266	-0.6	76.7
France	(FFr)	5.4158	-0.0013	145 - 170	5.4471	5.4145	5.4206	-1.1	5.4265	-0.8	5.4043	0.2	105.8
Germany	(D)	1.5865	+0.0016	860 - 870	1.5978	1.5850	1.5872	-0.5	1.5872	-0.2	1.5772	0.8	106.2
Greece	(Dr)	239.800	+0.55	700 - 900	240.750	239.200	240.15	-1.8	240.92	-1.9	244.3	-1.9	69.1
Ireland	(I£)	1.5070	-0.009	062 - 077	1.5131	1.4995	1.5058	1.0	1.5035	0.9	1.4947	0.8	-
Italy	(L)	1581.70	+4.7	120 - 220	1588.00	1576.25	1586.75	-3.8	1595.55	-3.5	1633.7	-3.3	76.8
Luxembourg	(LFr)	32.6700	+0.05	500 - 900	32.8200	32.6170	32.69	-0.7	32.735	-0.8	32.79	-0.4	105.4
Netherlands	(Fl)	1.7797	+0.0038	794 - 800	1.7892	1.7785	1.7802	-0.4	1.7791	0.1	1.772	0.4	105.1
Norway	(NKr)	6.9109	+0.0033	099 - 119	6.9456	6.9077	6.9144	-0.6	6.9189	-0.5	6.8944	0.2	96.5
Portugal	(Es)	162.300	+0.15	200 - 400	163.200	161.970	163.53	-9.1	165.57	-8.1	172.7	-6.4	94.3
Spain	(Pta)	130.400	-0.025	350 - 450	131.150	130.250	130.785	-3.4	131.42	-3.1	133.79	-2.6	81.0
Sweden	(SKr)	7.7444	-0.0586	394 - 494	7.8287	7.7394	7.7514	-2.6	7.7979	-2.8	7.9524	-2.7	78.5
Switzerland	(SFr)	1.3475	+0.004	470 - 480	1.3555	1.3470	1.3472	0.3	1.3458	0.5	1.3333	1.1	105.6
UK	(£)	1.5259	-0.0083	255 - 262	1.5323	1.5212	1.525	0.7	1.5241	0.5	1.5202	0.4	87.5
Ecu	-	1.2065	-0.0017	062 - 067	1.2067	1.2004	1.205	1.4	1.2029	1.2	1.2148	-0.7	-
SDR†	-	1.45050	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9995	+0.0004	990 - 000	0.9999	0.9999	-	-	-	-	-	-	-
Brazil	(R)	0.9330	-0.0025	320 - 340	0.9340	0.9320	-	-	-	-	-	-	-
Canada	(C$)	1.3798	+0.0012	795 - 800	1.3818	1.3770	1.3814	-1.4	1.3846	-1.4	1.4056	-1.9	82.7
Mexico	(New Peso)	3.4054	-	034 - 074	3.4074	3.4034	3.4064	-0.4	3.4082	-0.3	3.4156	-0.3	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	97.3
Pacific/Middle East/Africa													
Australia	(A$)	1.3449	-0.0004	444 - 454	1.3475	1.3434	1.3451	-0.2	1.3458	-0.3	1.3532	-0.6	88.1
Hong Kong	(HK$)	7.7251	-0.0002	246 - 256	7.7256	7.7246	7.7249	0.0	7.7256	0.0	7.7406	-0.2	-
India	(Rs)	31.3688	-	650 - 725	31.3725	31.3650	31.4538	-3.3	31.5968	-2.9	-	-	-
Japan	(Y)	98.0000	-0.75	500 - 500	98.8000	97.9000	97.795	2.5	97.35	2.7	94.945	3.1	151.7
Malaysia	(M$)	2.5933	+0.0023	928 - 938	2.5938	2.5900	2.5841	4.3	2.5728	3.2	2.6463	-2.0	-
New Zealand	(NZ$)	1.6541	-0.0006	534 - 548	1.6548	1.6526	1.655	-0.7	1.6569	-0.7	1.6622	-0.5	-
Philippines	(Peso)	26.3500	-	000 - 000	26.6000	26.1000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7504	-	501 - 506	3.7506	3.7501	3.7517	-0.4	3.7558	-0.6	3.7744	-0.6	-
Singapore	(S$)	1.5102	+0.001	098 - 105	1.5114	1.5090	1.5088	1.1	1.5069	0.9	1.5002	0.7	-
S Africa (Com.)	(R)	3.6835	-0.013	820 - 850	3.7155	3.6820	3.699	-5.0	3.7273	-4.8	3.804	-3.3	-
S Africa (Fin.)	(R)	4.5450	-0.025	350 - 550	4.5600	4.5450	4.5787	-8.9	4.6375	-8.1	-	-	-
South Korea	(Won)	802.450	-0.4	400 - 500	802.700	802.400	805.45	-4.5	808.95	-3.2	827.45	-3.1	-
Taiwan	(T$)	26.6140	+0.014	090 - 190	26.6190	26.5770	26.634	-0.9	26.674	-0.9	-	-	-
Thailand	(Bt)	24.9600	-0.03	500 - 700	25.0000	24.9500	25.0325	-3.5	25.18	-3.2	25.64	-2.7	-

†SDR rate for Jul 25. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Jul 25. Base average 1990=100

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Jul 26		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.09	16.58	4.857	2.032	4841	5.446	21.16	496.7	399.0	23.71	4.124	2.006	4.223	3.059	299.9	2.598
Denmark	(DKr)	52.39	10	8.685	2.544	1.065	2536	2.853	11.09	260.2	209.0	12.42	2.161	1.051	2.212	1.603	157.1	1.329
France	(FFr)	60.32	11.51	10	2.930	1.226	2920	3.285	12.77	299.6	240.7	14.30	2.488	1.210	2.547	1.845	180.9	1.531
Germany	(DM)	20.59	3.930	3.413	1	0.418	996.7	1.121	4.358	102.3	82.16	4.882	0.849	0.413	0.869	0.630	61.75	0.523
Ireland	(I£)	49.21	9.393	8.158	2.390	1	2382	2.680	10.41	244.4	196.3	11.67	2.030	0.987	2.078	1.505	147.6	1.249
Italy	(L)	2.066	0.394	0.342	0.100	0.042	100.	0.113	0.437	10.26	8.243	0.490	0.085	0.041	0.087	0.063	6.196	0.052
Netherlands	(Fl)	18.36	3.505	3.044	0.892	0.373	888.8	1	3.886	91.20	73.26	4.354	0.757	0.368	0.775	0.562	55.06	0.466
Norway	(NKr)	47.25	9.018	7.833	2.295	0.960	2287	2.573	10	234.7	188.5	11.20	1.949	0.948	1.995	1.445	141.7	1.199
Portugal	(Es)	20.13	3.843	3.338	0.978	0.409	974.6	1.097	4.261	100.	80.33	4.774	0.830	0.404	0.850	0.618	60.38	0.511
Spain	(Pta)	25.06	4.784	4.155	1.217	0.509	1213	1.365	5.304	124.5	100.	5.943	1.034	0.503	1.058	0.767	75.16	0.636
Sweden	(SKr)	42.17	8.050	6.992	2.048	0.857	2041	2.297	8.926	209.5	168.3	10	1.739	0.846	1.781	1.290	126.5	1.070
Switzerland	(SFr)	24.25	4.628	4.018	1.178	0.493	1174	1.321	0.131	120.4	96.74	5.749	1	0.486	1.024	0.742	72.71	0.615
UK	(£)	49.85	9.515	8.264	2.421	1.013	2413	2.715	10.55	247.6	198.9	11.82	2.056	1	2.105	1.525	149.5	1.265
Canada	(C$)	23.68	4.520	3.926	1.150	0.481	1146	1.290	5.012	117.6	94.49	5.615	0.977	0.475	1	0.724	71.02	0.601
US	($)	32.69	6.239	5.419	1.588	0.664	1582	1.780	6.918	162.4	130.4	7.751	1.348	0.656	1.380	1	98.03	0.830
Japan	(Y)	333.4	63.65	55.28	16.18	0.776	16140	16.18	70.57	1656	1330	79.06	13.75	6.689	14.08	10.20	1000.	8.462
Ecu		38.41	7.522	6.533	1.914	0.801	1906	2.146	8.340	195.7	157.2	9.344	1.625	0.791	1.664	1.206	118.2	1

Yen per 1,000: Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10: Belgian Franc, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.6286	0.6291	+0.0005	0.6298	0.6267	42,988	83,804
Dec	0.6290	0.6295	+0.0004	0.6300	0.6289	634	3,763
Mar	-	0.6304	+0.0031	-	-	4	1,056

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	1.0173	1.0238	+0.0065	1.0247	1.0155	18,980	69,789
Dec	1.0303	1.0310	+0.0068	1.0318	1.0290	369	5,376
Mar	1.0380	1.0380	+0.0048	1.3080	1.0380	5	1,101

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.7425	0.7411	-0.0004	0.7426	0.7382	14,548	37,553
Dec	0.7430	0.7426	-0.0006	0.7438	0.7418	91	1,098
Mar	-	0.7453	-	-	0.7453	1	11

EMS EUROPEAN CURRENCY UNIT RATES

Jul 26	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Netherlands	2.19672	2.15309	-0.00084	-1.99	4.44	-
Belgium	40.2123	39.5060	-0.0386	-1.76	4.20	13
Germany	1.94964	1.91934	-0.00112	-1.55	3.98	-
Ireland	0.808628	0.801036	+0.002467	-0.94	3.34	8
France	6.53883	6.55967	-0.00794	0.32	2.04	-3
Denmark	7.43679	7.53758	-0.00113	1.36	1.00	-9
Portugal	192.854	196.136	-0.631	1.70	0.65	-11
Spain	154.250	157.903	-0.384	2.37	0.00	-17
NON ERM MEMBERS						
Greece	264.513	290.051	-0.24	9.65	-6.84	-
Italy	1793.18	1914.43	+3.62	6.76	-4.11	-
UK	0.786749	0.791795	+0.003647	0.64	1.72	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Aug	CALLS Sep	CALLS Oct	PUTS Aug	PUTS Sep	PUTS Oct
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

WORLD INTEREST RATES

MONEY RATES

July 26	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	4⅞	5⅛	5⅜	5¾	6	7.40	4.50	–
week ago	5	5⅛	5½	5 13/16	6 1/16	7.40	4.50	–
France	5⅜	5 7/16	5 9/16	5 11/16	5 15/16	5.10	–	0.75
week ago	5⅜	5 7/16	5⅜	5¾	5 15/16	5.10	–	0.75
Germany	4.90	4.92	4.92	4.92	5.08	6.00	4.50	4.85
week ago	4.85	4.92	4.85	4.90	4.95	6.00	4.50	4.91
Ireland	5⅝	5 7/16	5⅝	6 1/16	6½	–	–	6.25
week ago	5	5 7/16	5⅝	6 1/16	6½	–	–	6.25
Italy	8⅛	8⅛	8⅜	8 13/16	9¼	–	7.00	7.95
week ago	8¼	8⅛	8 9/16	8 13/16	9⅝	–	7.00	6.15
Netherlands	4.85	4.90	4.91	5.02	5.22	–	5.25	–
week ago	4.85	4.90	4.85	4.97	5.15	–	5.25	–
Switzerland	4⅛	4⅝	4⅜	4¾	4⅝	6.625	3.50	–
week ago	4	4⅝	4¼	4⅝	4½	6.625	3.50	–
US	4⅜	4 7/16	4¾	5⅜	5 13/16	–	3.50	–
week ago	4⅜	4 7/16	4 11/16	5⅛	5⅝	–	3.50	–
Japan	2	2 1/16	2⅜	2¼	2½	–	1.75	–
week ago	2	2 1/16	2⅛	2⅜	2⅜	–	1.75	–
■ $ LIBOR FT London								
Interbank Fixing	–	4⅛	4 13/16	5¼	5¾	–	–	–
week ago	–	4½	4¾	5 3/16	5⅝	–	–	–
US Dollar CDs	–	4.23	4.59	4.96	5.53	–	–	–
week ago	–	4.23	4.60	4.89	5.43	–	–	–
SDR Linked Ds	–	3½	3⅝	3¾	4	–	–	–
week ago	–	3½	3⅝	3¾	4	–	–	–

ECU Linked Ds mid rates: 1 mth: 5⅜; 3 mths: 5⅜; 6 mths: 6 1/16; 1 year: 6⅝. $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Jul 26	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	5 - 4⅞	5 - 4⅞	5⅛ - 5	5⅜ - 5¼	6¼ - 5⅞	6 - 5⅞
Danish Krone	5⅜ - 5⅛	5¾ - 5½	5 11/16 - 5 9/16	6¼ - 6	6⅝ - 6⅜	6 13/16 - 6 9/16
D-Mark	5 1/16 - 4 15/16	5 3/16 - 5 1/16	5 1/16 - 4 15/16	5 - 4⅞	5 1/16 - 4 15/16	5½ - 5
Dutch Guilder	4 15/16 - 4 13/16	4 15/16 - 4 13/16	4⅞ - 4¾	4⅞ - 4¾	5 - 4⅞	5¼ - 5⅛
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate

■ THREE MONTH EURODOLLAR (LIFFE) $1m points of 100%

■ THREE MONTH EUROMARK FUTURES (LIFFE) DM1m points of 100%

■ THREE MONTH EUROLIRA INT. RATE FUTURES (LIFFE) L1000m points of 100%

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

* LIFFE futures traded on APT

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

UK INTEREST RATES

LONDON MONEY RATES

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

BASE LENDING RATES

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

WORLD STOCK MARKETS

EUROPE

PACIFIC

NORTH AMERICA

AFRICA

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1994, except Toronto & Montreal (dollar). ‡ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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■ TOKYO - MOST ACTIVE STOCKS: Tuesday, July 26, 1994

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Toshiba	6.0m	735	-19	Mitsubishi Oil	4.0m	1140	+10
Nissan Motor	5.3m	745	-5	Sumitomo Metal	3.8m	292	
Kawasaki Steel	4.6m	380	-12	Mitsubishi Hvy	2.4m	769	+1
Hitachi	4.1m	975	-17	Nippon Steel	2.4m	333	
Onoda Cement	4.1m	608	-14	Sharp	2.3m	1730	-40

INDICES

	Jul 26	Jul 25	Jul 22	1994 High		1994 Low	
Argentina							
General (29/12/77)	(u)	18929.29	18909.88	25470.40	16/2	17758.90	20/4
Australia							
All Ordinaries(1/1/80)	2041.3	2048.3	2052.5	2340.60	3/2	1957.40	27/6
All Mining(1/1/80)	1009.1	1014.8	1015.8	1138.10	3/2	804.60	5/5
Austria							
Credit Aktien(30/12/84)	414.97	412.31	412.58	460.65	2/2	388.97	22/6
Traded Index(2/1/91)	1087.29	1076.86	1077.15	1222.25	1/2	1011.38	6/6
Belgium							
BEL20 (1/1/91)	1451.92	1445.80	1433.06	1542.65	9/2	1369.96	13/7
Brazil							
Bovespa (29/12/83)	(u)	39939.0	39666.0	40799.00	15/7	3880.80	3/1
Canada							
Metals Mnls♦(1975)	(u)	3863.15	3836.63	3879.69	18/3	3298.98	20/4
Composite♦ (1975)	(u)	4168.40	4176.20	4608.90	23/3	3959.80	24/6
Portfolio§§ (4/1/83)	(u)	1955.72	1952.19	2182.89	1/2	1853.17	20/7
Chile							
IPGA Gen (31/12/80)	(u)	4271.7	4249.6	4867.80	4/2	3881.20	4/4
Denmark							
CopenhagenSE(3/1/83)	377.64	378.78	377.79	415.79	2/2	358.90	22/6
Finland							
HEX General(28/12/90)	1842.4	1821.5	1834.0	1972.00	4/2	1601.10	3/1
France							
SBF 250 (31/12/90)	1380.14	1369.19	1359.34	1585.20	2/2	1285.36	4/7
CAC 40(31/12/87)	2076.84	2059.84	2041.41	2355.93	3/2	1866.18	4/7
Germany							
FAZ Aktien(31/12/58)	813.06	809.39	806.23	869.27	18/5	757.51	27/6
Commerzbank(1/12/53)	2313.4	2302.8	2300.0	2465.58	2/5	2149.38	27/6
DAX (30/12/87)‡	2151.96	2136.22	2150.26	2271.11	18/5	1959.82	20/6
Greece							
Athens SE(31/12/80)	832.62	829.37	829.71	1194.58	18/1	806.67	25/5
Hong Kong							
Hang Seng(31/7/64)	9194.36	9174.62	9152.99	12201.09	4/1	8309.44	4/5
India							
BSE Sens.(1979)	4108.1	4106.6	4103.3	4332.80	20/6	3454.00	5/1
Indonesia							
Jakarta Comp.(10/8/82)	454.36	455.12	459.07	612.89	5/1	449.72	12/7
Ireland							
ISEQ Overall(4/1/88)	1821.28	1825.49	1826.88	2062.16	20/1	1694.14	1/7
Italy							
Banca Comm Ital (1972)	709.47	726.09	730.45	817.17	10/5	588.85	10/1
MIB General (4/1/94)	1146.0	1173.0	1180.0	1318.00	10/5	944.00	10/1
Japan							
Nikkei 225 (16/5/49)	20345.37	20297.66	20462.89	21552.81	13/6	17369.74	4/1
Nikkei 300 (1/10/82)	293.96	293.78	296.53	311.71	13/6	268.22	4/1
Topix (4/1/68)	1622.76	1621.79	1637.86	1712.73	13/6	1445.97	4/1
2nd Section (4/1/68)	2451.81	2457.74	2466.10	2542.65	6/7	1873.33	4/1
Malaysia							
KLSE Comp.(4/4/86)	1008.31	1004.38	1000.48	1314.46	5/1	928.33	4/4
Mexico							
IPC (Nov 1978)	(u)	2313.94	2300.66	2881.17	8/2	1957.33	20/4
Netherland							
CBS TtlRtnGen(End 83)	429.3	429.2	429.1	454.90	31/1	406.30	21/6
CBS All Shr (End 83)	272.5	272.4	272.4	294.80	31/1	257.90	21/6
New Zealand							
Cap. 40 (1/7/86)	2020.35	2021.29	2026.27	2436.84	3/2	1945.51	11/7
Norway							
Oslo SE(Ind)(2/1/83)	1120.05	1119.71	1119.74	1211.10	28/2	889.91	21/6
Philippines							
Manila Comp (2/1/85)	2728.53	2771.51	2708.15	3308.37	4/1	2507.38	9/3
Portugal							
BTA (1977)	2729.8	2728.9	2732.9	3226.60	18/2	2812.80	20/6
Singapore							
SES All-S'pore(2/4/75)	556.23	554.62	551.43	641.81	4/1	523.29	4/4
South Africa							
JSE Gold (28/9/78)	2086.0▼	2050.0	2047.0	2331.00	4/1	1749.00	14/2
JSE Indl. (28/9/78)	6452.0▼	6419.0	6374.0	6757.00	15/6	5446.00	19/1
South Korea							
KoreaCmpEx(4/1/80)**	935.20	939.12	939.09	974.26	2/2	855.37	2/4
Spain							
Madrid SE (30/12/85)	312.15	(c)	307.05	358.31	31/1	291.43	8/7
Sweden							
AffarsvardinGen (1/2/37)	1470.5	1465.0	1465.7	1603.90	31/1	1304.70	6/7
Switzerland							
Swiss Bk Ind (31/12/58)	1211.81	1211.76	1211.81	1423.34	31/1	1157.97	18/7
SBC General (1/4/87)	925.36	924.06	924.44	1093.29	31/1	888.10	13/7
Taiwan							
WeightedPr.(30/6/66)**	6727.22	6688.00	6498.60	6727.22	26/7	5194.63	19/3
Thailand							
Bangkok SET (30/4/75)	1346.50	(c)	1348.06	1753.73	4/1	1198.59	4/4
Turkey							
Istanbul Cmp.(Jan 1986)	21020.9	20826.1	21451.9	28993.80	13/1	12980.70	24/3
WORLD							
MS Capital Int (1/1/70)§	624.5*	623.5	623.9	641.00	1/2	581.80	4/4
CROSS-BORDER							
Eurotrack 100(26/10/90)	1391.70	1384.83	1387.40	1540.19	31/1	1303.48	21/6
Euro Top-100 (26/6/90)	1212.94	1210.41	1211.61	1311.01	2/2	1143.06	21/6
JCapeDrgns (31/12/88)	(u)	314.45	312.92	365.19	5/1	290.28	21/3
Barings Emerg.(7/1/92)	159.31	158.79	157.25	182.72	14/2	141.65	21/4

■ CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Jul	2057.0	2083.0	+23.0	2092.0	2054.0	33,023	24,291
Aug	2085.5	2091.5	+23.0	2100.0	2083.0	.	5,748
Sep	2073.5	2099.5	+23.0	2107.5	2073.5	3,022	27,012

Open interest figures for previous day.

** Sat July 23. Taiwan Weighted Price 6556.23; Korea Comp Ex 950.58. Base values of all indices are 100 except Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX - all 1,000. JSE Gold - 255.7; JSE 30 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 16. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Jul 26 - 2163.22 +10.11

US INDICES

Dow Jones	Jul 25	Jul 22	Jul 21	1994 High	1994 Low	Since compilation High	Since compilation Low
Industrials	3741.84	3735.04	3732.45	3978.36 (31/1)	3593.35 (4/4)	3978.36 (31/1/94)	41.22 (2/7/32)
Home Bonds	97.63	97.51	97.55	105.81 (21/1)	96.43 (13/5)	108.77 (18/10/93)	54.99 (1/10/81)
Transport	1604.74	1606.58	1597.84	1862.29 (2/2)	1546.02 (20/4)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	182.71	183.10	182.18	227.66 (3/1)	176.71 (24/6)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3765.15 (3762.56) Low 3707.10 (3713.81) (Theoretical♠)
Day's high 3744.10 (3742.48) Low 3731.00 (3724.35) (Actual♠)

Standard and Poors	Jul 25	Jul 22	Jul 21	1994 High	1994 Low	Since compilation High	Since compilation Low
Composite ‡	454.25	453.11	452.61	482.00 (2/2)	438.92 (4/4)	482.00 (2/2/94)	4.40 (1/6/32)
Industrials▼	530.18	528.49	527.81	580.59 (2/2)	510.05 (21/4)	580.59 (2/2/94)	3.62 (21/6/32)
Financial	44.64	44.60	44.60	46.94 (14/6)	41.39 (4/4)	48.40 (28/9/93)	8.64 (1/10/14)
NYSE Comp.	250.72	250.24	250.06	267.71 (2/2)	243.14 (4/4)	267.71 (2/2/94)	4.46 (25/4/42)
Amex Mkt Val	434.06	433.45	433.24	487.89 (2/2)	422.67 (28/6)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Cmp	716.88	716.68	715.03	803.93 (18/3)	693.79 (24/6)	803.93 (18/3/94)	54.87 (31/10/72)

■ RATIOS

	Jul 22	Jul 15	Jul 8	Year ago
Dow Jones Ind. Div. Yield	2.74	2.71	2.74	2.93
	Jul 20	Jul 13	Jul 6	Year ago
S & P Ind. Div. yield	2.46	2.47	2.49	2.56
S & P Ind. P/E ratio	23.07	22.93	22.72	24.89

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Sep	454.25	453.30	-1.00	455.00	453.20	29,898	200,581
Dec	456.50	455.95	-0.70	456.50	455.95	220	12,631
Mar	-	459.40	-	-	459.40	8	2,848

Open interest figures are for previous day.

■ NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Close price	Change on day
Compaq	4,536,100	31¼	+½
RJR Nabisco	4,084,600	6⅛	+⅛
Intl Game	3,100,000	20⅞	-1⅛
Lac Minrl	2,702,900	10⅛	+⅜
Merck	2,619,800	29⅞	+¼
McDonalds	2,457,900	26⅝	+⅜
Citicorp	2,449,500	40⅛	+⅛
IBM	2,336,000	62⅞	+¾
Gen Elec	2,031,800	49⅝	+⅛
Jhsn & Jhsn	1,951,800	46¼	+1⅜

■ TRADING ACTIVITY

● Volume (million)

	Jul 25	Jul 22	Jul 21
New York SE	211.700	261.054	284.285
Amex	12.084	15.019	15.211
NASDAQ	196.326	268.530	275.710
NYSE			
Issues Traded	2,826	2,838	2,834
Rises	1,066	1,094	987
Falls	1,051	965	1,090
Unchanged	709	779	757
New Highs	38	35	33
New Lows	49	59	65

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♠ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ▼ Subject to official recalculation.

4 pm close July 26

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1994 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
17 3/8	13 3/8	AAR	0.48	3.4	470	177	14 1/8	14	14 1/8	
16 7/8	13	A L Labs A	0.16	1.3	31	59	13 5/8	13 1/4	13 3/8	-1/8
73	57 5/8	AMP	1.68	2.4	23	1688	71 1/2	70 3/8	21 3/8	
72 3/4	52 1/8	AMR			103	5244	59 1/2	58 3/4	58 7/8	+1/8
5	3 3/8	ARX			12	79	3 1/4	3 5/8	3 3/4	+1/8
56 1/8	38 5/8	ASA	2.00	4.3	30	1630	46 5/8	45 3/4	46 5/8	+1 1/8
21 3/8	25 3/8	AbbtL	0.76	2.7	16	5697	28 1/4	27 5/8	27 3/4	-3/8
13 3/4	11 3/8	AbMlth Pr	0.50	4.0	9	9	72 1/2	12 1/2	72 1/2	-1/8
23 5/8	17 3/4	ABM Ind	0.52	2.6		53	20 3/8	20	20 5/8	+1/8
13 3/4	11 1/8	Acptncaln			24	31	13 3/8	13 1/8	13 3/8	-1/8
21	22 3/4	ACE Ltd	0.44	1.8	3	678	34	23 3/4	23 7/8	
12 1/2	10 1/8	ACM Gvt In	1.09	10.4		380	10 5/8	10 1/2	10 1/2	-1/8
10 1/8	7 7/8	ACM GvOpp	0.80	9.6		47	8 3/4	8 1/8	8 1/4	
10 5/8	8	ACM Gvt Sp	0.98	11.8		389	8 1/4	8 1/8	8 1/4	+1/8
12	9 1/8	ACM Gvt Se	1.09	11.8		304	9 3/8	9 1/4	9 3/8	-1/8
11 1/4	8 3/4	ACM Man	1.09	12.3		107	8 7/8	8 3/4	8 3/4	
9 1/4	8	ACM Mangd	0.72	8.9		98	8 1/4	8 1/8	8 1/8	
15 1/2	8 3/4	AcmeCly	0.44	3.9	13	57	11 3/8	11 1/4	11 1/4	
9 1/4	6 1/2	Acme Elect			5	50	8 3/8	8 1/8	8 1/8	
28 3/4	23	Acordia	0.60	2.3	13	25	26 1/4	26 1/4	26 1/4	-1/8
9 3/8	5 3/4	Actava	0.35	4.1	2	207	9	8 3/4	8 7/8	+1/8
15 5/8	11 1/4	Acuson			92	121	12 1/4	12	12	-1/8
18 5/8	16 1/2	Adams Expr	0.48	2.8	0	66	17 1/8	16 7/8	17	
64	46 1/2	Ad Micro	3.00	5.8		787	34	53 5/8	54	+5/8
31 3/4	16 3/4	AdvMic	3.00	11.7	11	2729	25 5/8	25 1/2	25 5/8	+1/8
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4 pm close July 26

NYSE COMPOSITE PRICES

Continued from previous page

1994 High	Low	Stock	Div.	Yld. %	P/ E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
62½	47⅞	StJoePaper	0.20	0.3	323	123	62⅞	61¼	61½	
30¼	25	StJosLP	1.68	6.9	13	16	28¼	28	28¼	-¼
45	37¼	StPaul	1.50	3.6	4	2229	42⅜	41⅝	41¾	+⅛
9⅞	8	Salant Crp			8	309	8½	8⅜	8½	-½
49⅞	34⅛	Sallie Mae	1.40	4.0	7	3638	35⅛	34½	34⅞	
13⅞	11⅞	Salomon Br x	0.32	2.6		490	12⅜	12⅛	12⅜	+¼
52¾	42½	Salomn	0.64	1.5	5	1187	43⅝	43¼	43½	-⅛
29	11½	SnDgGE	1.52	7.8	16	1085	20	19¾	19⅞	-¼
18	1½	SantaFeERs	0.16	1.1	9	571	9¾	9⅝	9⅝	+⅛
15¼	13½	SFeGd				959	14¾	14⅜	14¾	-⅝
40	31½	SantaFePac x	2.80	7.9	16	76	36	35¼	35½	+⅛
20¼	16½	SanFeP	0.10	0.5	11	13075	20¼	19⅞	20	-⅜
28	19⅜	SaraLee	0.64	3.1	14	4880	20¾	20½	20⅝	
58½	42½	Scana Corp	2.82	6.4	11	132	44¼	43¾	44⅝	+⅜
20½	12½	Scecrp	1.00	7.1	8	7258	13⅛	12⅞	13	+¼
40½	31¾	ScheringP			28	180	37	36¼	37	
69⅞	54½	SchrPl	2.04	3.2	14	3717	64	62	63	+¾
63	50¾	Schlmb	1.20	2.0	24	2962	59⅝	58⅞	59½	-⅛
32⅞	23¾	Schwab(C) x	0.28	1.1	12	1280	26⅝	26⅛	26½	+⅜
10¾	6⅛	Schwitzer			25	20	8¼	8¼	8¼	+⅛
38⅜	24⅞	SciAtl	0.12	0.3	68	725	34½	34¼	34⅜	+⅛
16⅞	13	Scotman	0.10	0.1	13	54	14⅝	14⅝	14⅝	-⅛
54⅞	37¼	ScottP	0.80	1.4	15	9242	u55¾	54¼	55½	+1⅝
28⅝	18⅝	ScuddrNAsF	0.21	0.9		48	23¼	23	23¼	
12⅞	9½	ScuddrNEuF	0.18	1.5		135	10⅜	10⅛	10⅜	+¼
18¼	13½	SeaCnB	0.70	4.4	1	10	16¼	16	16	-¼
18½	14⅞	SeaC1.4625	1.46	9.6		8	15½	15¼	15¼	
32	26¼	Seagrm	0.92	3.0	39	2437	30⅜	30⅛	30¼	+⅛
29¾	23	Seagull Ep			32	3274	24½	24⅛	24⅜	-1½
31¼	26⅝	Sealed Air			28	210	31½	30⅝	30⅝	-1⅛
55⅛	42⅛	SearsR	1.60	3.4	1	3286	47⅝	47⅛	47½	-⅝
13¾	11¼	Selgm Sel x	0.84	1.0		118	12⅛	12	12	+⅛
39¼	28	Sensormat	0.22	0.7	31	1823	31⅜	30¾	30¾	-½
39⅜	21¼	SequaA	0.60	2.0	8	17	29⅜	29	29⅜	-¼
40¼	28	SequaB	0.80	1.5	17	8	32½	32½	32½	-½
28	22½	ServCp	0.42	1.6	21	283	26¾	26⅛	26¼	-⅜
28⅜	22	SvMstr	0.82	3.7	15	137	25¼	25	25	-⅛
54½	50	Xerox4.125	4.12	7.6		3	54⅛	54⅛	54⅛	
53¼	48	Xtra Corp	0.56	1.2	21	148	47¾	46¾	47½	-⅛
25½	20	Yankee Egy	1.22	5.4	15	31	22⅞	22½	22¾	
40	33⅞	York Int	0.19	0.4	19	715	36⅝	36¼	36½	
5½	1	Zapata	0.14	2.7		161	5¼	5	5⅛	
13½	7	ZenithEl			3	796	9⅞	9¼	9¼	-¼
25½	20⅝	Zenith Nat x	1.00	4.3	9	41	23⅞	23	23¼	+½
7⅞	6⅝	Zenix Inc x	0.83	11.2		33	7¾	7⅜	7⅜	
16⅛	11⅜	Zero	0.40	3.1	15	76	13	12⅞	12⅞	
29¾	18⅝	Zurn Ind	0.88	4.5	17	66	19⅞	19½	19¾	-⅛
13⅞	12⅛	Zweig Fund	1.06	8.9		122	12¼	12⅝	12½	-⅛
10¾	6	Zweig Tot	0.84	9.3		633	9⅛	d9	9	-⅛

Price data supplied by Telekurs

Yearly highs and lows for NYSE reflect the period from Jan 1 1994. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4 pm close July 26

NASDAQ NATIONAL MARKET

4 pm close July 26

AMERICA

US stocks affected by poor results

Wall Street

Blue chip stocks gave ground yesterday morning after Chevron and Eastman Kodak released disappointing second-quarter results, *writes Frank McGurty in New York.*

By 1 pm, tbe Dow Jones Indnstrial Average was 6.16 lower at 3,735.68, while tbe more broadly based Standard & Poor's 500 was off 0.76 at 453.49.

Volume on the Big Board was light, with 136m shares traded by early afternoon.

In the secondary markets, tbe American SE composite inched 0.57 ahead to 434.63, but the Nasdaq composite was 1.43 easier at 715.45.

Stocks failed to break out of their direction-less drift amid continued uncertainty over monetary policy. For the most part, share prices meandered as investors waited for the Federal Reserve to make good on its chairman's veiled threat to lift interest rates again in the near future.

Some of the day's economic news was supportive of the view that the Fed could delay its next credit tightening. The Conference Board, an industry trade group, said its July index of consumer confidence dipped from tha previous month's reading, suggesting the potential for slower retail sales.

But tha data, in line with expectations, had no impact on sentiment, with economists looking ahead to Friday's preliminary estimate of second-quarter growth, a report which could prove crucial in the Fed's decision-making.

Bond prices were slightly lower, with the uncertainty over short-term rates complicating the outlook for an afternoon supply auction.

Meanwhile, news from the corporate sector was generally lacklustre. Among the Dow industrial components, Eastman Kodak revealed a 27 per cent decline in net earnings from continuing operations and its share price was marked down $1⅝ to $47⅝.

Chevron held up a little better, even though its second-quarter profits of 40 cents a share compared poorly with a year-earlier result of 87 cents. The stock was trading down $⅝ at $43.

Boeing slipped $⅛ to $45⅛. The decline in its earnings was not as severe as analysts had forecast, but investors were unimpressed.

American Express appreciated $⅛ to $26⅛. The impact of its results, which were slightly better than expected, was marginal.

Gerber, the baby-food company, was unchanged at $52⅛ even though it posted net income of 39 cents a share, well below the cousensus forecast of 42 cents.

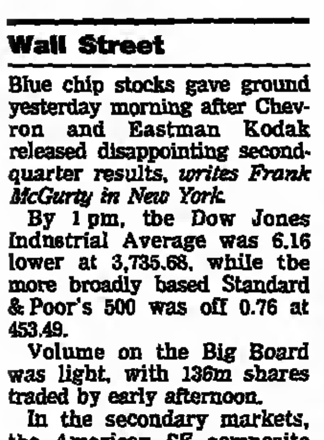
A sharp downturn in profits and revenues at Lincoln National, an Indiana-based insurance company, sent its share price reeling.

The issue dropped nearly 11 per cent, or $4⅝, to $38⅛ in unusually heavy volume of 1.1m shares.

On the Nasdaq, Powersoft, a software concern, was hammered amid concern over its gross margins. The issue tumbled $5⅛ to $45⅛ even though it posted resnlts whicb matcbed expectations.

Elsewhere in the technology sector, Cyrix dropped $1⅛ to $33⅝ and Microsoft receded $$\frac{13}{16}$ to $52⅝.

Eastman Kodak



Source: FT Graphite

Canada

Toronto eased in sluggish mid-day trade as the unfolding Quebec election took a back seat to corporate earnings. Losses in conglomerates, financial services, energy and transportation outpaced gains in gold and real estate.

The TSE 300 composite index was down 10.70 to 4,157.70 in volume of 13.28m shares.

Lac Minerals, target of hostile takeovers by American Barrick and Royal Oak Mines, was the most active gold stock, easing C$⅛ to C$14 in volums of 628,221. American Barrick was unchanged at C$31⅛, while Royal Oak was steady at C$5⅞.

Among corporate earnings reported during the day, Northern Telecom jumped C$1⅛ to C$43½ after the company posted a second quarter profit in line with analysts' forecasts.

Mexico

Mexican stocks edged upwards on optimism that many first half company earnings results may not be as poor as originally expected.

The IPC index was up 10.41 at 2,324.35 in early trade.

Turnover was light at 35.8m pesos.

Traders said that tha market also seemad to derive confidence from a recent presidential election poll showing that Mr Ernesto Zedillo was the leading contender for tha elections later next month.

Firm gold supports S Africa

Jobannesbnrg posted steady gains as the market found support in a firmer gold price and overcame fears of an escalation in nation-wide strike action.

The overall index finished 41 better at 5,609, industrials added 27 to 6,447 and golds rose 35 to 2,084.

Western Areas added a R4.50 to R60 on news tbat talks were under way on combining its mining interests witb that of adjacent Sontb Deep Exploration.

Gencor added 35 cents to R11.90 on news it had bought some of the metal and mining bnsiness of Royal Dntcb/Shell's Billiton gronp.

De Beers rose R1.75 to R110.50 and Anglo American put on R1to R236.50 rand. Barlows added 50 cents to R32.50.

SAB collected R2 to R88.75 while Iscor made 5 cents to 398 cents, Sappi added R1.50 to R54 and Absa rose 15 cents to R9.60.

EUROPE

Deutsche Bank helps to lift sentiment

Tha bourses were livelier yesterday.

FRANKFURT was encouraged by the slightly better than expected results from Deutscha Bank, which was enough to lift the Dax index by 15.74 to 2,151.96, but off an intraday high of 2,158.41.

There were further gains in tba Ibis, the index rising to 2,163.32

Turnover was DM7.2bn.

Deutsche Bank put on DM7 to DM735.50 ahead of the results which came after the official session had ended. The bank reported that during the first half operating profit had risen by 1 per cent: most analysts had been forecasting a loss.

The bank also said that it expected full year results to be satisfactory. In Ibis trade the shares rose to DM743.

Among other banking stocks, Commerzbank closed the official session at DM343, then rose to DM345.50, up DM7.50.

The vehicle sector was strong. Volkswagen for lnstance up DM3.80 at DM502.30.

MILAN succumbed to a fresh wave of uncertainty as the latest chapter in the long running corruption scandal unfolded, and investors worried about whether the prime minister, Mr Silvio Berlusconi would become embroiled in the investigations into his Fininvest media empire.

The Comit index registered a 16.62 or 2.3 per cent fall to 709.47 as investors, lulled by last week's firm performance into expecting a traditional August rally, sought to lighten their portfolios.

The falls were broadly based although insurers were among the hardest hit stocks. Generali fell L1,263 or 2.9 per cent to 42,034, Aleanza lost L638 or 3.7 per cent to L16,736 and Ras was L1,147 or 4.2 per cent lower at L26,000.

Telecommunications issues also tumbled. Sip lost L119 to L4,398 and Stet was L210 lower at L5,296.

Among other blue chips, Fiat gave up L198 or 2.8 per cent to L6,813 and Olivetti was L89 or 3.5 per cent lower at L2,451.

One of the most resistant stocks was the Fininvest retailer Standa. The shares were unchanged at L37,000, altbough volumes were extremely thin.

PARIS retreated from earlier highs to close the CAC-40 index at 2,076.84, a day's gain of 17.00.

Turnover was FFr4.5bn.

Dealers reported that activity was mainly driven by technical factors.

Eurotunnel moved up more than 5 per cent, the shares putting on FFr1.3 to FFr26.45 on speculation that it might be brought into the CAC-40 index.

AMSTERDAM rose on interest in cyclicals and the Aex index finished up 1.44 at 404.96.

Among the most impressive performers, Hsineken, helped by seasonal factors, put on Fl 4.20 to Fl 229.60, Akzo Fl 2.30 to Fl 213.50 and KLM Fl 1.10 to Fl 53.60.

Royal Dutch went the other way, off Fl 2.00 at Fl 196.40, as it announced that it had sold its Billiton metal assets to Gencor of South Africa.

ZURICH failed to find direction and the SMI index gave up early gains to finish 3.2 higher at 2,604.4.

Banks were firm, UBS adding SFr7 to SFr1,204, amid indications that investors were switching from chemicals and pharmaceuticals.

Roche certificates lost SFr55 to SFr5,490. Adia, the temporary employment group, picked up SFr9 to SFr225 following better than expected half year figures.

BRUSSELS continued to reap the benefits of the budget agreement and the Bel-20 index added 6.12 to 1,451.92 in turnover of BFr1.2bn.

Solvay gained BFr325 or 2.2 per cent to BFr14,800 helped by a broker's buy recommendation and speculation over first half results due out today. Financial stocks were firm.

STOCKHOLM was supported by gains in Astra and Volvo. The Affärsvärlden general index rose 5.5 to 1,470.5.

Brokers commented tbat Astra, up SKr2 to SKr169 in the B's, benefited from reports that a EU advisory panel had decided not to support a German request to ban the injectable version of the group's anti-ulcer drug Losec.

Turnover was SKr1.7bn.

Volvo, the most active share, added SKr11 to SKr756. Dealers said that the vehicle group was in heavy demand by international investors.

Written and edited by John Pitt and Michael Morgan

FT-SE Actuaries Share Indices

Jul 26							THE EUROPEAN SERIES	
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1388.13	1389.09	1387.79	1390.89	1390.15	1389.70	1391.75	1391.70
FT-SE Eurotrack 200	1428.05	1427.03	1426.75	1427.54	1426.34	1424.74	1426.98	1424.29

	Jul 25	Jul 22	Jul 21	Jul 20	Jul 19
FT-SE Eurotrack 100	1384.93	1387.40	1371.54	1367.56	1361.71
FT-SE Eurotrack 200	1421.38	1424.29	1407.95	1407.57	1404.54

Base 1000 (26/10/90): High/day: 100 - 1393.50; 200 - 1428.09 Low/day: 100 - 1388.04 200 - 1423.50

Small is beautiful in Spain

By Christine Buckley

Tbe recent turbulence in European markets has brought some benefit to at least one investment sector – Spanish smaller stocks. They bave achieved markedly better performances tban sbares of larger capitalised companies and enjoyed a boost in investor interest in a trend that some analysts forecast will continue.

The James Capel Smaller Spanish index has tended to outperform the Madrid stock exchange index by 20 per cent, wbile some stocks have shown performances of over 30 per cent above the index over the past few months.

As the economy begins to stir there has also been a significant movement into second line construction and building materials stocks.

The shine has gone off the larger sectors for reasons apart from general market uncertainty with utilities, one of the major sectors in Madrid, having fallen off despite many analysts remaining positive on its fundamentals.

Similarly the popularity of banks has slipped, largely in the wake of the Banesto affair.

Ms Alexandra Perricone, a Spanisb analyst witb James Capel in London, said that the fortunes of smaller capitalised stocks were likely to continue, fuelled by general factors as well as their own potential.

The lack of liquidity generally associated with small stocks has also been an important influence in squeezing up prices in Spain.

Ms Nicola Mann at Smith New Court points to quite a strong degree of anticipation surrounding the performance of second line stocks.

"There was a great expectancy that the smaller stocks would outperform the larger ones and I think that will continue on the grounds of earnings growth as the reporting season in September moves closer," she says.

Along with low liquidity, Ms Mann also cites a lack of visibility as a factor in the swift movement of Spanish smaller stocks.

ASIA PACIFIC

Taipei rallies to close at four-year high

Tokyo

Demand from corporations and arbitrageurs absorbed small-lot profit-taking by overseas investors, and prices closed marginally bigher in light volume, *writes Emiko Terazono in Tokyo.*

The Nikkei 225 index rose 47.71 to 20,345.37, reversing a 2.3 per cent decline over the previous three sessions. The index rose to a high of 20,390.88 in the early afternoon, but slipped to a low of 20,241.75 in the last half hour of trading.

The market focused on worries over profit-taking by foreign investors, looking to take advantage of the yen's strength. Volume totalled 253m shares against 223m. Dealers were sidelined on the last day of trading for their July books.

Some analysts, however, do not expect a mass exodus from Japanese stocks by overseas investors. "Some fund managers have decided that Japan will be quiet for a few months while European and south-east Asian markets have fallen low enough. But many peopls are still substantially underweight in Japan," said Mr Jason James, strategist at James Capel.

The Topix index of all first section stocks edged up 0.99 to 1,622.78, while the Nikkei 300 rose 0.20 to 293.96. Advances led declines by 514 to 472, with 192 issnes remaining uncbanged. In London, the ISE/Nikkei 50 index was down 1.26 at 1,308.41.

High-technology stocks were lower. Toshiba, the most active issue of the day, lost Y19 to Y735 and Hitachi declined Y17 to Y975. But Fujitsu gained Y10 to Y1,040 and Oki Electric Industry rose Y4 to Y740.

Automobile makers continued to face selling by overseas investors. Nissan Motor fell Y5 to Y745 and Toyota Motor declined Y50 to Y2,100.

Arbitrage buying lifted bank stocks. Dai-Ichi Kangyo Bank gained Y30 to Y1,780 and Mitsubishi Bank rose Y10 to Y2,590. But brokers declined, with Nomura Securities down Y10 to Y2,230 and Nikko Securities losing Y10 to Y1,250.

Nippon Housing Loan, tbe housing loan company facing mounting bad debts, declined Y11 to Y230 on reports that it was pulling out of the mortgage securities business.

In Osaka, the OSE average fell 39.88 in volume of 56.2m shares. The index declined for the fourth consecutive day on position squaring. Nintendo, the video game maker, fell Y60 to Y6,700.

Roundup

Local stories predominated yesterday.

Nomura has reduced its weighting in Japan from 36 per cent to 28 per cent, and, within the region, has moved 2 per cent to Korea, and 1 per cent each to Hong Kong, Malaysia, Australia and Taiwan.

TAIPEI finisbed at a four-year high led by a rally in financials, cbemicals and foods, while the plastics sector rebounded after lagging behind last week.

The weighted index added 39.22 or 0.6 per cent to 6,727.22, its highest level since June 6, 1990. Turnover was firm at T$107.24bn.

Among financials Cathay Life Insurance surged T$14.00 to T$218.00 to gain the daily seven per cent limit before going ex-dividend.

HONG KONG recovered from morning losses to close firmer on late buy orders triggered by better-than-expected government land auction results.

The Hang Seng index rose 19.74 to finish at 9,194.36 after falling to a low of 9,117.02 in early trade.

Property issues jumped sharply after the afternoon auction but came off their highs by the close as investors concluded that the sale of the relatively small sites was not enough to determine whether the government's recent campaign to cool the real estate market was effective.

Cheung Kong ended 30 cents higher at HK$35.90. Henderson Land gained 40 cents to HK$38.90 and Sun Hung Kai Properties added 40 cents HK$47.90.

MANILA fell 1.5 per cent on profit-taking after gaining about 120 points in two days, and brokers said that prices were likely to consolidate further.

The composite index fell 42.98 to 2,728.53 in volume of 708.9m shares worth 1.21bn pesos.

Davao Union Cement, which was making its debnt on the exchange, was actively traded well above its offer price of 5.60 pesos. Its B shares ended at 6.90 pesos while the A shares closed at 6.00 pesos.

SYDNEY weakened as sentiment was undermined by prospects of tighter monetary policy, with a central bank board meeting in progress yesterday.

The All Ordinaries index fell 7.0 to 2,041.3, just off its low of 2,039.2. Turnover was only modest at A$233m.

Banks and insurers were weaker, with only isolated gains.

Elsewhere BHP rose 6 cents to A$18.58, and in the mining sector, CRA fell 24 cents to A$18.56, with WMC down 15 cents at A$7.30 and MIM adding 1 cent to A$2.99. Retailers were soft, with Coles Myer down 3 cents at A$4.22.

SEOUL was lower after broad-based selling but some lightly weighted shares continued to attract investor interest. The composite stock index gave up 3.92 to 935.20, with the August 12 deadline for investment trust companies to repay an as yet undecided amount of borrowings to the central bank continuing to overshadow the market.

Reports that gunfire had been heard on the northern side of the inter-Korean border on Monday also depressed sentiment, although the defence ministry said there had been no unusual military activity that would indicate provocation by North Korea.

KUALA LUMPUR was led higher by speculative buying of second-line stocks although a lack of foreign buying continued to keep a lid on the market. The composite index rose 3.93 to 1,008.31.

Golden Plus was among big gainers, rising 55 cents to M$8.40 on rumour of a business venture in China.

SINGAPORE was mixed after a quiet trading day. The Straits Times Industrials index ended 6.22 lower at 2,206.04, with the decline largely attributed to losses in Sembawang and Fraser & Neave .

Sembawang dropped 30 cents to S$10.20 amid speculation tbat the performance of its engineering division was likely to drag down the results of the group.

BANGKOK ended sligbtly lower in quiet trading as investors awaited today's no-confidence debate in parliament.

Tbs SET index closed 1.56 lower at 1,346.50 after fluctuating between 1,339.71 and 1,358.39. Turnover was a moderate Bt5.96bn.

Newly listed Rockworth was most active issue, closing at Bt119 on turnover of Bt422.5m. It opened at Bt102 against a subscriber price of Bt85, before peaking at Bt124.

BOMBAY edged ahead in a trading session curtailed to one-hour because of a disruption in the suburban railways. The 30-share BSE index rose 16.13 to 4,122.78.

Some buying was reported in A group shares by the local investors in an otherwise dull trading session.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	MONDAY JULY 25 1994 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	FRIDAY JULY 22 1994 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (68)	173.93	0.1	168.08	108.57	143.32	165.62	-0.1	3.54	173.71	168.56	108.40	144.09	155.88	199.15	138.56	139.42
Austria (17)	185.84	0.7	179.68	116.07	153.21	153.06	-0.2	1.04	184.73	179.25	115.27	153.23	153.37	195.41	155.88	157.44
Belgium (37)	171.92	1.2	166.13	107.31	141.65	138.30	0.5	4.00	169.89	164.86	106.02	140.92	137.59	176.87	143.82	147.46
Canada (106)	127.61	-0.1	123.32	79.66	105.15	127.39	-0.1	2.86	127.77	123.98	79.73	106.99	127.50	145.31	120.54	122.80
Denmark (33)	272.87	0.5	263.78	170.39	224.92	231.01	-0.1	1.29	271.55	263.50	169.46	225.25	231.17	275.79	207.58	209.11
Finland (24)	157.81	-0.3	152.50	98.51	130.03	173.61	-0.9	0.81	158.28	153.68	98.77	131.29	175.13	169.20	95.42	95.42
France (97)	175.60	1.7	169.69	109.61	144.69	149.21	0.9	2.95	172.72	167.60	107.79	143.27	147.88	185.37	152.03	152.25
Germany (59)	143.12	0.4	138.31	89.34	117.93	117.93	-0.3	1.75	142.56	138.34	88.96	118.25	116.25	147.07	112.69	115.69
Hong Kong (58)	372.91	0.2	360.37	232.78	307.28	369.86	0.2	3.21	372.06	361.04	232.18	308.63	369.05	506.56	271.42	271.42
Ireland (14)	199.32	0.5	192.62	124.42	164.24	185.25	-0.2	3.29	198.40	192.52	123.80	164.57	185.56	209.33	157.90	157.90
Italy (61)	88.54	-0.3	85.56	55.27	72.95	104.27	-0.7	1.45	88.79	86.16	55.41	73.65	105.04	87.78	57.88	68.18
Japan (469)	163.57	-1.0	158.06	102.10	134.78	102.10	-1.0	0.75	165.19	160.30	103.08	137.03	103.08	170.10	124.54	149.68
Malaysia (98)	473.41	0.2	457.48	295.51	390.06	472.41	0.2	1.73	472.54	458.54	294.88	391.97	471.49	621.63	345.09	346.11
Mexico (18)	1953.76	3.1	1888.00	1219.55	1609.83	7274.38	3.2	1.84	1894.17	1838.01	1182.00	1571.17	7050.06	2847.08	1516.57	1516.57
Netherland (27)	207.64	0.6	200.65	129.61	171.09	166.30	-0.1	3.36	206.06	199.97	128.60	170.94	168.40	207.64	165.52	165.52
New Zealand (14)	68.49	-0.3	66.19	42.75	56.44	60.17	-0.2	3.97	68.71	66.68	42.88	57.00	60.27	77.59	52.24	52.24
Norway (23)	206.62	0.6	199.67	128.97	170.25	193.72	-0.1	1.71	205.46	199.37	128.21	170.43	190.93	207.35	156.74	156.74
Singapore (44)	344.71	0.9	333.12	215.18	284.04	239.74	0.7	1.76	341.65	331.52	213.20	283.40	238.01	378.92	250.05	254.24
South Africa (59)	284.89	0.8	275.30	177.83	234.74	284.56	0.4	2.16	283.22	274.82	176.74	234.93	283.52	292.84	175.93	204.54
Spain (42)	142.37	0.9	137.58	88.87	117.31	140.68	0.0	4.01	141.14	136.96	88.07	117.07	140.68	155.79	116.33	118.63
Sweden (36)	218.08	0.5	210.73	136.12	179.68	251.89	0.0	1.59	216.96	210.53	135.39	179.97	251.83	231.35	169.43	169.49
Switzerland (47)	158.34	0.6	153.01	98.84	130.46	131.89	0.0	1.84	157.39	152.72	98.22	130.56	131.92	176.66	125.30	125.30
United Kingdom (204)	194.26	0.2	187.73	121.26	160.07	187.73	-0.3	4.03	193.96	188.21	121.04	160.89	188.21	214.96	172.26	172.26
USA (519)	185.49	0.3	179.25	115.78	152.84	185.49	0.3	2.89	184.94	179.46	115.41	153.40	184.94	196.04	178.95	182.97
EUROPE (720)	170.81	0.5	165.06	106.62	140.74	155.11	-0.1	2.98	169.93	164.89	106.04	140.95	155.21	178.59	143.32	143.32
Nordic (116)	215.26	0.4	208.02	134.37	177.37	212.21	-0.1	1.40	214.43	208.07	133.81	177.86	212.52	220.60	160.69	160.69
Pacific Basin (749)	171.27	-0.8	165.51	106.91	141.12	111.89	-0.8	1.07	172.66	167.54	107.74	143.22	112.78	176.86	134.79	153.03
Euro-Pacific (1469)	170.95	-0.2	165.19	106.71	140.86	129.04	-0.5	1.88	171.38	166.30	106.94	142.15	129.67	173.89	143.88	148.94
North America (625)	181.90	0.3	175.78	113.54	149.88	181.50	0.3	2.88	181.39	176.01	113.19	150.46	180.99	192.73	175.67	179.24
Europe Ex. UK (516)	154.27	0.7	149.08	96.30	127.11	135.33	0.1	2.39	153.15	148.61	95.57	127.03	135.27	157.47	125.09	125.09
Pacific Ex. Japan (280)	246.05	0.2	238.71	154.94	204.39	221.38	0.1	2.88	247.46	240.12	154.42	205.27	221.03	296.21	186.40	186.40
World Ex. US (1652)	171.88	-0.2	166.10	107.29	141.62	132.33	-0.4	1.90	172.22	167.11	107.47	142.85	132.89	174.76	145.58	149.45
World Ex. UK (1967)	173.54	0.0	167.70	108.33	142.99	145.08	-0.2	2.06	173.62	168.47	108.34	144.01	145.32	175.58	155.96	158.46
World Ex. So. Af. (2112)	174.70	0.0	168.82	109.05	143.95	147.91	-0.2	2.25	174.75	169.58	109.05	144.96	148.18	178.56	158.54	159.49
World Ex. Japan (1702)	183.86	0.4	177.88	114.77	151.50	179.14	0.2	2.90	183.13	177.70	114.28	151.90	175.63	195.20	169.94	185.94
The World Index (2171)	175.38	0.0	169.48	109.47	144.51	148.93	-0.2	2.25	175.42	170.22	109.47	145.51	149.19	176.97	158.85	169.69

Constituent change 26/7/94: Name change: Guardian Royal Exchange to Guardian. Latest prices were unavailable for this edition. Spanish market closed 25/7/94.